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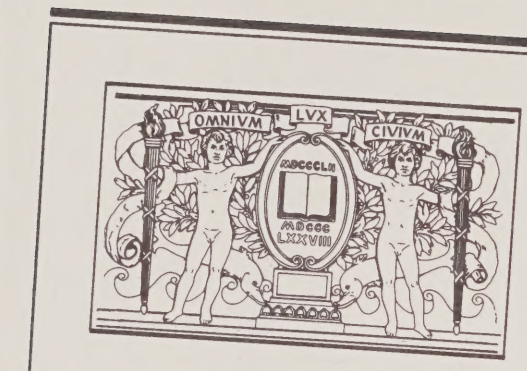

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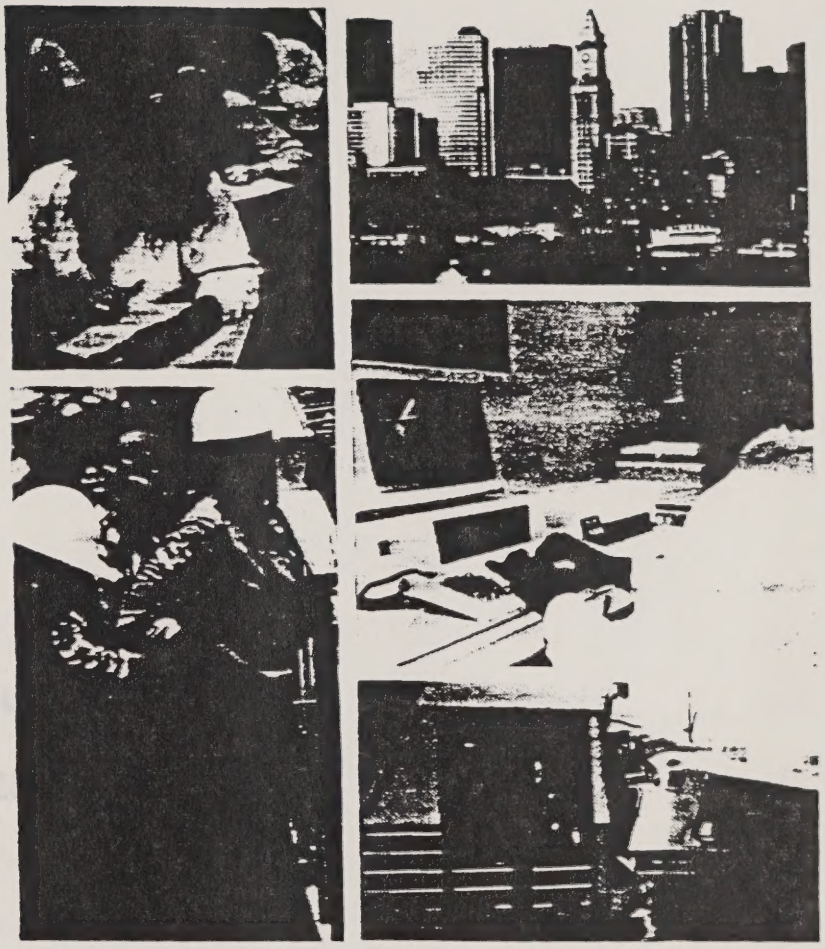

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ECONOMIC POLICY ROUNDTABLE

A CONFERENCE REPORT

BOSTON, JUNE 12th - 15th, 1988

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Raymond L. Flynn, *Mayor*
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The Economic Policy Roundtable: A Conference Report

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The Economic Policy Roundtable
Boston, Massachusetts
June 12 through 15, 1988

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Statement by Mayor Raymond L. Flynn

As centers of commerce, education, culture and community life, cities are vital to the health of the national economy and to America's future. The success of a handful of cities disguises the fact that too many of the nation's cities face severe problems. A decade of Federal retreat from urban issues, and the declining strength of the American economy, have left cities fighting alone against poverty, deteriorating schools, rising housing prices, homelessness and other challenges. In this presidential election year, the needs of America's cities must again become central to the national debate.

In the absence of a coherent national urban policy, cities are solving problems with an entrepreneurial spirit. Forming new partnerships between government, businesses and the community, cities are taking matters into their own hands. However, these innovative programs are not adequate to solve the longer term problems of affordable housing, quality of life, health care and the decline of America's position as an economic power.

The large increase in the number of poor people, and the growing gap in the U.S. between rich and poor over the last two decades have hit this nation's urban centers particularly hard. Poverty in America often means poor health care, and nearly 55 million Americans lack health insurance. Two hundred thousand women received no prenatal care last year, and this country ranked 17th in infant mortality. Yet, it is not only the poor who are affected.

For the first time in U.S. history, rising housing costs have put home ownership beyond the reach of the middle class. Those unable to buy a home are increasingly vulnerable to condominium conversion and a diminishing supply of affordable rental housing. The homeless population continues to expand, with one and a half million homeless people in America today. Nevertheless, the Federal government has increasingly withdrawn from building and subsidizing affordable housing, while the private market is not producing enough housing. The nation's commitment to a decent home and suitable living environment for every American has yet to be fulfilled.

The promise of cities has always been the promise of opportunity. Yet the traditional route to upward mobility-- education-- is no longer keeping pace with the demands of our economy. Many job applicants do not have the skills or education that employers need in this increasingly technological world. One out of every seven of this year's first graders-- our workforce for the new economy-- will eventually drop out of school, and one out of six will become a teenage parent. Despite these statistics, Federal funds for education have declined 16 percent since 1980.

Cities have been forced by diminishing Federal funding to find new ways to provide bridges of economic opportunity between booming downtown areas and neighborhoods that have not shared in the benefits of economic revival. Linkage programs, such as those in Boston, direct the benefits of downtown growth to the city's residents through the creation of affordable housing, job training and social services. These programs also offer opportunities to minorities and women through equity participation requirements.

The model for urban America of the coming years could already exist in such programs. What is needed is a centralized policy, that allows room for local choice. The challenge is to forge an economic policy addressing the issues critical to the nation's competitiveness, while providing hope, economic opportunity and equality for all.

Introduction:

Themes of the Economic Policy Roundtable

The Economic Policy Roundtable brought a distiguished group of the nation's government officials, scholars and community leaders to Boston from June 12 through 15, 1988 to help shape a consensus on a national economic agenda for urban America. The Roundtable was sponsored by the City of Boston in cooperation with several area institutions, including the Lincoln Institute, M.I.T., Harvard's John F. Kennedy School of Government, the McCormack Institute of Public Affairs at U.Mass/Boston, and the Boston Society of Architects. The Roundtable combined seven panel sessions on issues critical to the nation's future-- housing, poverty, education, infrastructure, finance, community and minority participation in development, and urban design-- with several discussions of America's economic future. This report attempts to capture the variety of ideas and proposals for strategy and policy.

The mandate for the Roundtable, as presented by Boston Redevelopment Authority Director Stephen Coyle, was to help shape national economic policy for urban America. "Cities are the cores of American economic strength," said Coyle; they are "where America's future will be found." For America to compete in a world of shrinking growth, wealth, and opportunity, its cities must be healthy. But cities' economic strength depends on having affordable housing and health care for workers, good education to guide our children and train the future labor force, adequate infrastructure, and a sound environment. These issues are interrelated, stressed Coyle: affordable housing and day care, to cities' roles in the national economy, to the nation's role in the world economy. These relations are central to forming policy.

Coyle noted that in the absence of a Federal role in urban affairs, cities like Boston have established "social contract" programs to address some of the critical issues, such as housing, job training, and spreading economic benefits to minorities and neighborhoods. Such innovative programs in many cities and states should be considered as new approaches for national policy, said Coyle. However, much more needs to be done than what cities have been able to achieve alone. Coyle called for a "groundswell of support to bring back to the Federal government" and to all of us the will to make "the cities of tomorrow much closer to our values and our dreams."

Bernard Frieden, Chairman of the Faculty at the Massachusetts Institute of Technology, provided the Roundtable agenda and its background. As a step towards creating a national urban agenda for the 1990s, the Roundtable would evaluate both progress made and problems unsolved in the last decade of Federal pullback from urban affairs. Frieden cited the impact of the "new economy"-- the structural shift away from manufacturing towards services-- and the question of whether the downtown booms have brought sufficient benefits to all city residents. "The new economies and the new downtowns have been built very largely with public money," said Frieden. "Are there commensurate benefits for the public at large and how far do these benefits spread?"

Frieden also spoke to the withdrawal of Federal interest in the cities, beginning in the Carter Administration and continuing through the Reagan administration. "With the Federal government increasingly out of the picture, the cities did what they could do, which was turn more to public/private deal making." Frieden noted that "there have been bril-

All of these issues-- poverty, housing, community participation-- are closely interrelated; in turn, they relate to cities' role as the core of American economic strength, and the nation's role in the world economy.

liant accomplishments" in public/private deals; in Boston they have led "to housing linkage, to important agreements on job training and hiring...[and also to] profit-sharing."

There was no call at the conference for a return to the past-- the large-scale federalism of the 1960s, the leveraged federalism of the 1970s, or the fend-for-yourself federalism of the 1980s. Rather there was agreement on the need for a new Federal partnership in which cities retain their newly developed, entrepreneurial roles.

Demographics and Economics of the 1990s

The sense of the conference was that the demographics and economics of the 1990s may be conducive to broad positive change. An emerging labor shortage, as population growth slows, could enlist employer support and incentives for better education and job training, child care, and more competitive wages. This would act to reduce poverty and improve income distribution, supported by the increased productivity of an older and more experienced labor force. These trends would be reinforced by inducements for restructuring and upgrading clerical and middle management jobs due to the scarcity of workers.

The economics of the 1990s could also signify a potential for growth. The recent stabilization of the dollar could help bring a renaissance in manufacturing production and exports, and revival in the rate of expansion of the national economy. This would be aided by a new era of government, business, and labor partnership in addressing the needs of America's troubled industries. A more rapidly growing economy would facilitate the narrowing of the housing affordability gap, reduce poverty, stem the growing polarization of income distribution, and help make more public money available for education and job training and infrastructure.

Reducing the enormous fiscal deficit of recent years is more readily accommodated in the context of a rising economy. New national leadership could leverage the role of a growing U.S. economy toward reviving international economic cooperation for growth in the world economy and in world trade. This potential exists even though the U.S. production share of the world economy is now 22 percent, in comparison with the 75 percent of the early postwar years.

The Legacy of Federal Withdrawal and Stagnation in Real Income

The potential of the demographics and economics of the 1990s is critically important in view of the impact of stagnation in real income and Federal withdrawal in the last 15 years. The need for a return to a healthy economy and growth in real income, as well as improvement in distribution of income and its use for public purposes, was touched on in virtually every panel session of the Roundtable.

As portrayed in the presentations of Lester Thurow, Frank Levy, and Robert Kuttner, Post World War II economic growth, 1950 to 1973, raised real income levels and living standards, and provided jobs, housing, and upward mobility. In contrast, the last 15 years of slow growth have been accompanied by stagnation or decline in the real income of most Americans, a rise in poverty, a widening gap in housing affordability, and neglect of infrastructure. International trade is in the doldrums, and the leading

With the Federal government increasingly out of the picture, cities have become skillful at making do with less, turning more to public-private deal-making.

nations have gone from working together, in the early postwar years, to current divisiveness.

The Roundtable consensus was that a healthy, growing economy is basic to progress, but more is needed. The nation's cities, in their diversity-- services cities, rust belt cities, oil belt cities, farm belt cities-- require attention to their special needs and positive measures to enhance their future potential. The growth in the services share of employment is pervasive, even in the primary industrial cities, and has been an important factor in recent urban revival. By the year 2000, a number of rustbelt cities will have shares of employment in service-producing industries which are higher than the national average.

With their diversity, the nation's cities share a common experience in the basic national economic policy issues of housing, poverty, education and job training, infrastructure, and urban development finance. Cities are people and also merit attention to the quality of urban design. Minority participation in the economic life of cities is opening new horizons.

Housing and Neighborhoods

As most incomes stagnated, housing production lagged, and housing costs escalated, housing affordability and the growth of homelessness moved to the forefront of housing issues. Other concerns include the importance of preserving the existing stock of low- and moderate-cost dwelling units, including rental housing. An underlying issue is the need to increase housing production; in the 1960s and 1970s, 22 million dwelling units, including millions of "affordable" units, were produced. In regions which are thriving, the housing shortage is emerging as a principal constraint on job growth and economic expansion.

Alternatives presented included an expanded role for public-private partnerships involving public resources, such as land, private financial institutions and non-profit agencies. A recent Congressional bill would provide matching Federal loan funds for money locally raised by public-private housing partnerships. A more recent development is the emergence of socially committed private entrepreneurs who shun subsidies and create projects made up of 60 percent market rate and 40 percent affordable dwelling units. These innovative efforts, however, would accommodate only a small share of the nation's housing needs.

The magnitude of existing low- and moderate-income housing at risk, which houses most of the poor, was the basis for proposals for a Federal financing program for preservation and fix-up, and for continued state and local government ingenuity. Public housing was also advocated as a part of the solution.

Innovative sources of financing suggested included low-cost Federal money through an off-budget source similar to the Highway Trust Fund, the use of a real estate transfer tax for a housing trust fund, greater use of pension funds and foreign capital, and an overhaul of the private housing finance system. Another funding source might come from modifying the homeownership tax deduction. There was a call, also, to make the Federal Housing Administration and the Federal National Mortgage Association mortgage guarantee programs work for low-income households.

Panelists argued that poverty was structural (potentially responsive to job opportunities, education and job training, day care, health care, housing, and social services) and not cultural (imbedded in race and ethnic traditions and values).

Urban Poverty and Race

Poverty in the nation declined from 1969 to the mid-1970s, and has risen since that time. At current count, there are 30 million poor, making up 14 percent of the population. Poverty is concentrated in cities, where the percentage is higher, and among minorities. Once a characteristic of the elderly and the rural population, the largest groups in poverty today are working people and female-headed households. The elderly were rescued by social security, and little of the nation's population remains in poor farming. There are regional and ethnic differences. Panelists argued that poverty was structural (potentially responsive to job opportunities, education and job training, day care, health care, housing, and social services) and not cultural (imbedded in race and ethnic traditions and values).

Scholars believed that much could be done with specifically articulated strategies for each component of the poverty population. For working people, the largest component of the poverty population, an increase in the minimum wage, supplemented with programs for education and job training, would be the approach. The prospective labor shortage, the restructuring of lower grade jobs, and a more robust economy, might help this group. Female-headed households would benefit from child support, education and job training, daycare and supportive social services. Welfare reform would be part of the solution.

Alternative views focused on the need for the social and political will for income redistribution. There was a call for redefining the American dream wherein every working person should be able to afford housing, food, clothing and medical care.

Education and Job Training

The context for education and job training needs is about to change. An emerging labor shortage, with the aging of the population and a slowdown in its growth, will draw on an underutilized labor force and an increased demand for quality education. Wages will rise. The Immigration and Naturalization Act of 1986 will be up for revision to allow for the inflow of workers the American economy needs. A labor shortage and booming economy do not solve problems of access, however. Younger, poorly educated workers are in trouble. Earnings are too low for minority young adults.

Job training should be part of a larger strategy, which would include provision of adequate health insurance, head-start, keeping kids in school, summer jobs, improved schools, job search help, job creation, day care, transportation, partnerships of business communities and schools, and a strong economy.

Education is a big enterprise, with 16,000 school districts in the nation, and a corps of teachers and personnel larger in number than the nation's armed forces. The report of the nation's governors five years ago focused on reforming the school system, with the teacher as the key. The state is the main level of responsibility with the power to set standards and equalize resources. However, public-private partnerships in education and job training have an important role.

Infrastructure and Transportation

The backlog of need for infrastructure investment is large, estimated at $1.1 trillion, to the year 2000. Sixty percent of this would be for transportation. The infrastructure investment share of the gross national

Infrastructure provides the essential base for an expanding economy. Money is raised for new infrastructure, but maintenance tends to be neglected.

product has declined from 2.3 percent in 1960, to 1.1 percent in 1985. The known resources of $700 billion signifies a financing gap of $400 billion. As the Federal role diminished, that of the states expanded, but greater support from the Federal government is thought to be essential. A major problem is the lack of Federal programs for maintenance. Money is raised for new infrastructure, but maintenance tends to be neglected.

Infrastructure provides the essential base for an expanding economy. The rise in the ratio of private investment to public infrastructure for new facilities from 9 to 1 in 1960, to 15 to 1 in 1985, is ominous, and may tend to constrain the nation's growth potential.

The infrastructure problem is both fiscal and managerial. Recent well-publicized catastrophes reflect poor management, undermaintenance, and insufficiently professional staff. Recommendations include broader application of new technology, increased professionalism, and a wider range of financing alternatives, including taxable bond issues, infrastructure banks, low-interest loans, and user fees.

Financing Urban Development

In financing redevelopment, cities were on shaky ground in the 1980s, following Federal cutbacks. Cities had to find new ways to pay for revitalization, and cities coped surprisingly well. Development proceeded with a lot of public money. Entrepreneurial cities experimented and innovated with new techniques and new sources of raising capital. Cities evolved from grantors to lenders to co-investors. Strategies, however, were limited by tax caps and the tax reform cuts of private purpose bonds.

Tax increment financing has proven to be a good tool to finance development, in those states where it is permitted. Cities also have made extensive use of public land for development. Boston's Parcel to Parcel linkage program is an example of the use of public land value to encourage quality urban design and leverage benefits such as affordable housing and job training.

The large pools of Japanese and pension fund capital might be drawn into cities to fund their public, commercial and residential development projects, with the aid of a guarantee program.

Planning Visions

Boston and other cities are responding to the evolving economic structure and revitalization that creates new needs and opportunities for planning infrastructure and transportation as well as urban amenities like parks and public open spaces.

The challenge is growth management to encourage responsible continued growth, but direct it to forgotten neighborhoods of the city that still require revitalization. Formulating commonly shared criteria or values in a master plan or "vision" is a useful means of achieving a preferred future.

Many cities have experienced extensive economic and physical growth in recent years, as well as changes in population mix. New initiatives in urban design can help strengthen people's pride and sense of identity with the places they live in.

Through growth management and urban planning, there is the opportunity to improve social and economic justice, create a shared vision of the city, and improve the quality of life.

New initiatives in urban design can help strengthen people's pride and sense of identity with the places they live in.

Minority and Community Participation

With urban revitalization, a new class of entrepreneurial minority developers has emerged, with a spin-off in minority employment and subcontracting. In minority neighborhoods undergoing revival, minority developers are building housing, commercial structures, and infrastructure.

Neighborhood community councils feel that it is important for the community to exercise its right to review development projects, in the context of neighborhood goals and plans, and to make sure that the projects conform to neighborhood preferences.

The juxtaposition of roles has resulted in conflicting views and positions, especially in the case of affordable housing. The minority developers are willing to use subsidies to provide affordable housing, up to the limit of the economics and financial feasibility of the project. The community representatives call for larger goals for affordable housing. Their position is that affordable housing would accommodate neighborhood households, while market-rate housing means turning over their neighborhood to outsiders.

The Conference Report

The following chapters present summaries of the panel presentations and discussions; reports on the the luncheon and dinner speeches; and commentaries made by panelists at the Wednesday wrap-up session or written for this report. The report, edited by Lawrence Kennedy and Richard Henderson, was written by members of the Policy Development and Research Department of the Boston Redevelopment Authority on the basis of transcripts of the Conference proceedings. *-Alexander Ganz, Assistant Director for Policy Development and Research, Boston Redevelopment Authority.*

Summary of Recommendations

Suggestions, but no formal endorsements were made by various panelists and speakers

Demographics and Economics of the 1990s

Enlist a partnership of business, labor and government to advance the growth rate of the U.S. economy, and address the needs of America's industries

Emphasize cooperation toward international economic expansion

Examine legislation governing immigration flows to better cope with the emerging labor shortage

Improve real income levels and income distribution by raising the minimum wage

Explore alternate economic strategies for the nation's industrial belt, farm-belt, and oil-belt cities

Housing and Neighborhoods

Provide matching Federal funds for public-private housing partnerships

Help finance the preservation of low- and moderate-income rental housing

Adapt the mortgage finance role of the Federal Housing Administration and the Federal National Mortgage Association to the need for affordable housing

Develop Federally-funded housing programs that preserve state and local decision-making

Explore alternative housing finance sources, including the use of an off-budget trust fund, pension funds, foreign capital

Support new affordable home ownership concepts such as cooperative housing, mutual housing, community land trusts, and other deed restricted alternatives

Urban Poverty

Design policies in recognition of the fact that most poor people are not living in ghettos and that the largest share of the poor are people who work

Develop a comprehensive approach to poverty by stressing jobs, job training and education, day care, and health care

Assure minimum income support for families and children through wage subsidies or earned income tax credits

Develop comprehensive strategies to break the cycle of poverty by keeping young people in school and assisting them in preparing for the job market

Education and Job Training

Expand Federal and state funding for education and job training, with equalization formulas that ensure high quality for all students

Fund higher pay scales to attract and retain competent teachers

Create a comprehensive program of job training with remedial education, daycare, and other necessary social services that help reduce the barriers to entering the job market

Address the need for greater accountability and effectiveness in the nation's public schools

Infrastructure and Transportation

Develop standards of need, maintenance and replacement of infrastructure to meet the requirements for economic growth and quality of life improvement

Enhance management and maintenance of infrastructure through professionalization of personnel

Make fuller use of new technology in infrastructure and its maintenance

Explore financing alternatives, including taxable bond issues, user fees, low-interest loans, an infrastructure bank, and privatization.

Financing Urban Development

Encourage the entrepreneurial role of cities in sponsoring development that requires private investment to leverage public funding

Attract private development investment through a supportive public role funded by tax-exempt bonds, industrial revenue bonds, tax increment financing, and the use of public land

Broaden urban development finance sources through the use of pension funds, foreign investment, and linkage

Summary of Recommendations

Planning Visions

Plan in concert with projections of the next decade's private sector supply and demand in real estate

Balance regulations and demands on development with the need to maintain economic growth

Devise innovative programs, such as obligation transfers, to deal with difficult regional issues

Establish a citizen-based process for debating issues about changing, preserving and extending the built environment

Create an urban framework or master plan for urban and regional centers that helps to structure and manage future growth and change

Minority and Community Participation

Ensure appropriate community participation and promote a greater role for minority business enterprises in the development process

Spread the benefits of downtown growth to all city residents and neighborhoods

Encourage joint ventures between minority, majority and non-profit firms to enable minorities to take advantage of scarce capital and talent

Ensure that value created from development in minority communities remains in the communities to multiply

Research the feasible options for affordable housing and other issues as a first step in the political negotiation process

Rebuilding a Sense of Community: Housing and Neighborhoods

Panel Members:

Langley Keyes, Professor of City and Regional Planning, Massachusetts Institute of Technology: Panel Leader
Phillip Clay, Associate Professor of City Planning, Massachusetts Institute of Technology
I. Donald Terner, President, BRIDGE Housing Corp., California
Peter Dreier, Housing Advisor, Boston Redevelopment Authority
Bonnie Heudorfer, Senior Consultant, Bank of Boston
Ernest Gutierrez, Jr., Executive Director, Boston Fair Housing Commission
Clara Garcia, Executive Director, Inquilinos Boricuas En Accion
Mary O'Hara, President, MURAG, Inc.

Widening affordability gaps between wages and housing costs, a tax reform that decreased support for rental housing, and a 75 percent cut in federal housing assistance over the last eight years have led to an abrupt decline in homeownership, a sharp increase in the number of homeless people and families, and the steady loss of currently affordable housing units to abandonment or conversion.

The New York Times recently editorialized:

> Anyone who thinks the shortage of affordable housing is bad now need only look forward. "Homeless" does not simply describe thousands of low- and moderate-income families that have no suitable place to live today. Under existing law, thousands of homes occupied by poor families will soon soar in price, driving ever more people into the streets.
>
> That is one legacy President Reagan will leave America of the 1990s... his Administration has not enacted a credible program to build affordable housing. The Administration has refused to revive housing subsidy programs and thus made a homelessness crisis inevitable.1

In most of America the private market cannot produce a house or an apartment at a price that low-income households can afford, and the Federal government is withdrawing from the business of housing subsidy. With income distribution worsening generally, the result is a widening chasm between income and housing costs. As panelist Peter Dreier noted, the housing situation has become considerably more severe for many households since 1980 as housing costs have risen faster than incomes, particularly in Boston and similar "hot markets."

Robert Kuttner recently summarized emerging housing trends:

> Homeownership has . . declined, for the first time since World War II. The decline (only about two percentage points for the whole population) has been most dramatic for young families. In 1976, 61 percent of people aged 30-34 owned their own homes; by 1987 only 53.2 percent did. The abrupt slowdown in the normal graduation to homeownership, in turn, has intensified the squeeze on rental housing. Yet although the supply of unsubsidized, privately owned rental housing has virtually dried up, only about one eligible household in four today lives in a subsidized apartment.2

The Housing affordability problem creates other problems in turn. In the stronger housing markets, including most of the Northeast, most homeowners could not afford to buy their own homes today if they had to, and many long-term renters could not pay market rents for a new apartment. The high prices prevent people from moving and cause misallocation of housing sizes. It now usually takes two incomes to buy a home or most condominiums, or even to meet many of today's asking rents. Two wage earner families and daycare have become a necessity rather than an option.

Very little new private rental housing is being built -- and even less assisted housing -- due in part to the effects of recent Federal tax reforms. Existing

The Federal government must reaffirm its role as a leader in finding solutions to the country's housing problems, even though some states, including California and Massachusetts, are taking leadership roles in housing.

private rental properties that come on the market tend to be converted to equity ownership, experiencing a rise in value favored by the current Federal tax structure. As a result, too many tenants are competing for a declining number of rental units. Homelessness can occur, often unexpectedly, when a household loses its income, or separation/divorce causes a breadwinner to leave. Also, businesses in high-demand markets have difficulty attracting workers because they cannot afford higher home prices.

Housing Solutions: An Overview

Langley Keyes laid out the themes for the panel session. He led the panel through a brief historical evaluation of Federal housing policy, summarizing the findings of three commissions: the Kaiser Committee in 1968, the President's Commission in 1982, and the current Rouse-Maxwell Task Force. These commissions mirrored their times with respect to the appropriateness of government involvement in housing, ranging from a perception of the Federal government as the "nation's houser of last resort" in 1968, to a reliance on "the genius of the market economy" in 1982, to the 1988 declaration "the Federal government must reaffirm its role as a leader in finding solutions to the country's housing problems."[3]

Keyes outlined several features which must be addressed in any future housing legislation: targeting of resources, delivery systems, programmatic approaches, preservation of existing stock, and program coordination. He was quick to note, however, that with the country's diversity both in geographic market conditions and poverty levels, a single housing policy would be insufficient.

The housing experts on the panel agreed that demand-based affordable housing mechanisms, such as voucher systems, would not be effective because of the shortage of adequate, affordable housing. They stated that equal priority must be given to maintaining America's existing stock of affordable housing, including what has been built with subsidies in the past thirty years. However, some stressed production measures to address most of the nation's housing needs, while others would label preservation the more immediate need in order to avoid losing the large share of the nation's existing housing stock. Phillip Clay, meanwhile, presented the option of publicly subsidized preservation of assisted housing units.

Donald Terner of BRIDGE Housing Corporation told the story of BRIDGE's extraordinary success in shunning public subsidies while utilizing bankable, marketable non-profit delivery mechanisms. According to Terner, BRIDGE harnessed private resources to finance and construct new affordable housing units. These units make up 40 percent of a mixed housing package leveraged with 60 percent market rate units, all with attractive amenities. Terner stressed at the outset of his presentation that BRIDGE's scheme works only with the strata of low and moderate income households that can afford monthly carrying costs of $300 to $600. Terner's approach works best in housing markets ranging from tight to strong, where employers are concerned about affordable places for labor to live.

Preservation of Existing Stock

Clay noted that the supply of publicly-assisted housing -- the major source of affordable housing for

"Housing preservation policy ought to accept aid to the poor as a permanent fixture."

the very poor-- has been declining in recent years. The Kaiser Commission goal of six million assisted housing units was never reached; only about four million units currently exist, of which 1.3 million are public housing. As a result of mortgage defaults and prepayments, condominium conversions, expiring subcontracts and management problems, this stock is now losing more units than are being added. Clay estimated that about two million, or half of the total four million assisted units in the country, are currently at risk.

While America's assisted housing stock declines, at least three out of every four low income households live in private, unassisted rental housing, spending significant proportions of their income on rent. Clay maintained that this situation will worsen unless a nationwide Housing Preservation Policy is undertaken to protect and rehabilitate at least those assisted housing units not yet lost.

Clay said he views public housing as the most cost-effective way to meet the needs of the poor and believes that the onus of affordable housing preservation must be borne by the Federal government. He called on government to spend more to maintain and rehabilitate these same units.

Production of New Units

Terner argued, however, that government-subsidized preservation can only meet a fraction of the country's affordable housing needs. He called the experience of BRIDGE, a non-profit community development corporation "a suitable model for the 1990s, which during the past five years has produced over 3,000 mixed-income rental units."

Terner noted that BRIDGE's programs are geared toward moderate-income households earning between $12,000 and $25,000 annually. He said that this group's housing needs have been largely neglected in recent years, and that affordable rental programs like his can meet their needs without taxpayer subsidies.

Terner noted that Massachusetts is in a most unusual situation with respect to affordable housing production, since state surpluses have supported housing assistance programs and attempted to make up for the reductions in federal funding. In most states today, said Terner, no public body is willing to provide more than token housing resources.

> We tried to produce a company that was non-profit for the 80s, not one dependent on public subsidies -- because in fact in California we had none. And the issue was, how, without printing money in the basement, do you do this? We latched upon a very simplistic scheme: a corporate non-profit model. And the essence of the idea was that any revenues generated in excess of our costs would be returned to the consumer.

Forty percent of BRIDGE's production, which is nearing 1,000 units annually, is for moderate income families. BRIDGE's projects are equipped with amenities such as pools, hot tubs and health facilities to make them attractive to their neighbors and to the higher income families who will occupy the market-rate units.

Financing Non-Profits

BRIDGE is highly leveraged, with only $5 million in capitalization for $70 million in current development. It is able to produce a mix of market and affordable housing on attractive sites such as ex-

Providing housing vouchers for every low-income family is like giving people food stamps when the supermarket shelves are empty.

isting school sites bought at market appraisals. It does so by doubling existing densities, with the promise that the households occupying the extra units produced will be assisted. This requires no "risk averse" taxpayer subsidies, but if we are to depend on the non-profit sector for production, Terner warned, adequate capitalization must be provided.

Mary O'Hara suggested that since non-profit delivery vehicles are opening up innovative new approaches such as limited equity cooperatives and community land trusts, they could be at the core of any new housing policy. Clara Garcia concurred, noting that capital resources should be made available local to community development corporations, to enable them to produce more housing and preserve the existing stock.

Panelist Bonnie Heudorfer noted that only in strong market areas can alliances or partnerships be used with creative financing to deliver lower cost housing. Here and there, linkage and corporate responsibility have been tapped by organizations such as BRIDGE to produce assisted housing. Heudorfer cautioned, however, that such developments require very labor intensive, careful and creative financing approaches which cost much more to produce than the physical shelter alone. She stressed that non-profits should not be relied upon to take the place of the private market and the public sector in providing most housing as well as most capital for affordable housing.

Housing Opportunities for the Future

Regardless of what mechanism they would use to match households and homes, panelists agreed that a new national policy is necessary to address America's growing housing problems. Peter Dreier proposed three steps in creating such a policy: First, a constituency for housing must be organized; next, any option presented for consideration must be studied on the basis of its cost-effectiveness; and finally, a consensus must be developed on the sources of money for housing. Dreier noted,

> Right now, only about a third of all low-income people get housing subsidies. If we were going to provide just housing vouchers for every low-income family in the United States that does not already have one, that alone would cost around 15 billion dollars annually, which is already bigger than the HUD budget. And even if we did that, it wouldn't work because that is like giving people food stamps when the supermarket shelves are empty.

Dreier suggested that corporations will have a growing interest in affordable housing to assure their labor force needs are met in the future: "At the national level, we have to see the Chambers of Commerce and other business trade associations become more actively involved in supporting. . . housing." On the other hand, Dreier said, there is "$35 billion that the Federal Government loses every year through the homeowner deduction -- and the 2 percent of all families that earn over $100,000 account for 25 percent of it."

Turning from the question of funding to that of administration, Ernest Gutierrez stated that racial and economic segregation are so serious along urban/suburban lines that regional or metropolitan area coordination in housing policy is required. He maintained that housing assistance must allow people to live near opportunities for good education and jobs, and should be supported by improved transportation. Gutierrez said a national housing

Racial and economic segregation is so serious along urban-suburban lines that a national housing policy must include incentives for cross-jurisdictional and regional coordination.

policy might be quite different from an urban housing policy which is attempting to cope with "too many poor people."

One possibility for a new housing policy that emerged from the discussion was to channel deep Federal commitments to states as block grants, to be used for locally tailored and negotiated initiatives. Cities could then form partnerships, leveraged with linkage funds, or increase permissible densities to arrive at attractive mixed income developments.

Commentary

Langley Keyes

We may have non-entreprenurial cities which will need more support

M.I.T. Professor Langley Keyes, head of the Housing panel, observed in his remarks at the Wednesday wrap-up that issues such as infrastructure and development were being framed in the same "way the housing agenda has come to be formulated." This was to learn from the experiences of "the most creative cities in the country" as examples of what other cities could do, perhaps with some Federal help. Keyes warned that the agendas being shaped on these issues share "certain systemic characteristics" with what he called the creative "entrepreneurial cities;" he questioned if policies stemming from these agendas could be adopted by cities lacking those characteristics.

Keyes outlined the characteristics that have made the entrepreneurial cities successful. They include a strong city economy, with rising property values; a creative city government adept at striking deals; state and local government coordination; and "an engaged private sector" willing to work with government in serving public purposes.

However, said Keyes, cities which lack strong economies, cooperation between state and local governments, or the other elements, may not be able to take advantage of new mechanisms such as tax increment financing or coax the cooperation of the private sector. These cities might not be served well by a Federal policy built around the experiences of the entrepreneurial cities, Keyes argued. Such a policy might take the form of fairly small block grants with few strings attached, upon which the creative local governments could leverage other funds for economic development, housing, education, and so on.

If the nation's cities are divided into two groups, Keyes hypothesized, one of which is not able to play the creative entrepreneur, that group of cities will be frustrated by Federal programs based on the entrepreneurial cities' experiences. They may require "more technical assistance and more support" to respond sucessfully to such programs. The unresolved question for Keyes is whether such a sharp division exists, or if there is a continuum where every city has the ability to play the entrepreneurial game to some, if sometimes small, extent.

The Two-Class City: Urban Poverty and Race

Panel Members:

Mary Jo Bane, Professor of Public Policy, John F. Kennedy School of Government, Harvard University: Panel Leader
Paul Jargowsky, Project Coordinator, Center for Health and Human Resources Policy, Harvard University
Peggy Cuciti, Associate Director for Applied Research, University of Colorado School of Public Affairs
Erol Ricketts, Assistant Director, Rockefeller Foundation
Shoshana Pakciarz, Executive Director, Project Bread, Boston

The increase in the poverty rate for the United States over the last twenty years and the growing inequality of income distribution has had severe consequences for the nation's cities. The growth in the poverty rate in the cities was especially marked in the years 1975 to 1982, as it went from 15 percent to 19.9 percent of the central cities' population.[1] In 1985, 19 percent of the population of central cities was in poverty.[2]

The composition of the poverty population has also been changing. Between 1970 and 1984 the poverty rate for persons 65 years of age and older was nearly halved, from 24.5 percent to 12.4 percent. During the same period, however, the poverty rate among children under 18 years of age increased by nearly one-half, from 14.9 percent to 21.0 percent, or to more than one child in five. The feminization of poverty is demonstrated by the fact that nearly half (48.8 percent) of those living in poverty in 1984 lived in female-headed households, an increase from 43.9 percent in 1970.[3]

Black Americans suffer the consequences of poverty in higher proportions than whites. The average income of blacks has increased, yet the gap between white and black families has been widening since the mid-1970s.[4] The proportion of blacks who live in poverty is three times that for whites: 31 percent versus 11 percent, respectively.[5] Overall black median income is 57 percent of that of whites, representing a decline of 4 percentage points since the late 1970s.

Among those in poverty are many working people. These are people whose efforts at earning an income have not proved sufficient to move above the level of poverty. Regressive taxing policies, the decline in union membership, and the fact that the minimum wage has not been raised since 1981 contribute to the number of working people in poverty. Government figures indicate that about 62 percent of the nation's poor families gained at least part of their income in 1985 from their own earnings.[6]

Why Is Poverty Increasing?

Mary Jo Bane, panel leader, began the session by raising the question of "What do we do about the fact that poverty in our cities seems to be increasing?" She noted that policies for dealing with the issue of poverty in our cities cross many policy areas but that this session of the Roundtable would attempt to raise the issues, "throw out some of the questions, and get the discussion going."

Bane observed that several presentations would "focus on helping us understand some of the dimensions of the problem of poverty in our cities: the role of concentrated poverty, of the increasing numbers of female heads of families, and minorities, expecially Hispanics, among the poor."

In the first presentation Paul Jargowsky explained the results of a study he undertook with Mary Jo Bane which discussed the concentration of poverty in American cities. Jargowsky noted the "resurgence of interest in the topic of ghettos after several years of relative neglect" and credited the work of William

Policies addressing the issue of poverty should reflect the diversity of the nations's poverty problem and not just ghetto poor; the largest segment of the poverty population are people who hold jobs.

Julius Wilson with leading this revival. Jargowsky also quoted a recent statement by the Social Science Research Council which said

> the ghettos today appear to be more mean-spirited, more isolated, and more damaging to their poor residents than those that arose in the major urban centers after World War II. These communities are increasingly deficient in the social institutions that control and mediate social, political, and economic relations, and that provide resources and avenues for individual advancement.

Bane and Jargowsky attempted to find out how many people live in ghettos, which Jargowsky pointed out "is not a specifically defined geographic unit." They looked at census tract areas with more than 40 percent of the population in poverty and used these areas as a standard for defining a ghetto, an area of concentration of poverty. Using that definition to look at the hundred largest central cities in the U.S., they found that in 1980 there were about 1.8 million poor people living in ghettos. A quarter of that number were in New York City alone, and a tenth were in Chicago. The ghetto poor in Philadelphia, Baltimore, New Orleans, and Detroit made up another twenty-five percent. The study concluded that only 7 percent of the nation's poor live in such areas.

Jargowsky emphasized that the "homeless, long-term welfare dependent people living in ghettos are a small and obviously very difficult part of the overall poverty problem," cautioning the Roundtable we need to be careful that we do not equate the problems of these people with the issue of poverty in general.

Jargowsky pointed up the diversity among cities and racial groups that was such an important theme of the conference. While only 7 percent of the poor are "ghetto poor," 17 percent of the black poor live in the high poverty census tracts. The comparable figures are 11 percent of the Hispanic poor and only 1 percent of the white poor. Similarly, while 49 percent of the poor in Newark live in high poverty census tracts, only 8 percent of Boston's poor live in such an area, and in San Francisco only 6 percent.

Jargowsky also addressed the question of whether there has been a growth in ghetto poverty over time.

> The absolute number of people living in these high poverty census tracts has gone up by 66 percent, if you look at the fifty largest cities. But it's not that people are moving into these bad neighborhoods. In fact, quite the opposite. But as ...people leave marginal inner city neighborhoods, they become high poverty census tracts. So the areas have expanded a lot in the 1970s and 1980s.

Nearly half the growth that Bane and Jargowsky observed occurred in New York City. Sixteen cities actually saw decreases in the number of persons living in these high poverty census tracts. The growth was largely in the northeast and north central regions, with the exception of Boston. There was also "either slow growth or actual decreases in the south and west, with the exception of Miami."

Jargowsky concluded that "there's a strikingly strong correlation with changes over time in the poverty rate of the region with the increase in ghetto poverty." While Jargowsky said that this might seem obvious, most previous work had focused on the flight of the black middle class, and this study indicates that the "poverty rate is the overwhelming data point which will allow you to predict the growth of concentrated poverty."

The Jargowsky and Bane study reflects main themes of this Conference. They are that policies addressing the issue of poverty should reflect the diver-

Drugs have become an alternative model of achievement offering possibilities that people wouldn't have otherwise; it's important we remove that as well as provide opportunities for inner city youth.

sity of the nations's poverty problem and not just ghetto poor; the largest segment of the poverty population are working people. A second implication of the study is that some cities, such as Memphis and New Orleans, have done well and have seen a decrease in poverty concentration. Third, targeting a neighborhood is not likely to be effective if a city's economy is doing poorly.

Families in Poverty

Erol Ricketts discussed the issue of family formation among blacks. He considered the two views of the origins of the so-called "underclass." The "culture of poverty" view of the origins of this group is that people act the way they do because of poor values or a culture dating back to slavery. A second view of the underclass is the "structural" argument which holds that people in the underclass act the way they do because of the environment they are in and the economic activities available to them.

Ricketts forcefully rejected the culture of poverty view of the underclass and specifically criticized the Moynihan Report of the 1960s which Ricketts said characterized the black family as "a tangle of pathology and fundamentally different from white families." Ricketts acknowledged the post-1950 decline in the family but observed the same decline may be seen in Hispanic and white families. Quite importantly, in Ricketts' view, black families were moving to urban areas during the years of family decline. He suggested that this may explain a great deal of what happens to blacks, and noted the paucity of real knowledge about poverty despite the great quantity of research that has been undertaken over the last several decades.

Ricketts argued for the need to dispel myths before we develop policy. He asserted that it is important to recognize that many of these problems are new and that they are not just happening to blacks. He gave examples such as the fact that in Sweden one of three births is out of wedlock. This statistic may be compared to a rate of one in seven in the United States and, said Ricketts, serves to remind us of the danger in making value judgments and connecting such issues as marriage rates, race, and poverty.

Ricketts came out in favor of three solutions to the problems of poverty which included: legalizing hard drugs; a comprehensive readjustment of our social institutions; a new commitment to social justice.Ricketts argued that drugs should be legalized "because of what drugs do to a community." He said that there is no alternative because drugs are a "fundamental underpinning for the underclass [and an] alternative model of achievement" in those neighborhoods. He argued that drugs offer possibilities that people wouldn't have otherwise "and it's important that we remove that as well as provide opportunities for inner city youth." Ricketts also felt that social institutions, especially schools are out of touch with present reality. Schools "are in many ways" involved in "inappropriate education, education that doesn't match what you need to function in jobs."

Diversity Among Poor Groups

Peggy Cuciti emphasized the diversity among cities and groups of Americans. Cuciti reported on her study of Hispanic poor in Southwest cities, largely Mexican-Americans or Chicanos, noting that most of the literature on poverty focuses on blacks. Hispanics are especially important as their rate of

We must re-define the American Dream, presenting a challenge to society to ensure that "every working person should be able to afford housing, education, food, and health."

population growth in the U.S. exceeds that of blacks or whites.

Among the conclusions of Cuciti's study is that the Hispanic poor have a much greater participation in the work force than blacks. "Among males, the labor force participation rate among Hispanics is 67 percent versus 52 percent for the black community." Another difference is in the percentage of female-headed households in Southwestern cities which is 64 percent among blacks but only 39 percent among Hispanics.

A key difference, according to Cuciti, between the black and Hispanic experience is the impact of immigration within the latter group. She found that "within the cities that have a higher percentage of foreign-born, and a higher percentage of recent immigrants... we tend to have higher overall rates of labor force participation, a lower incidence of female-headed households," but also a higher incidence of dropping out of school. Cuciti concluded that there is "less incidence of underclass behavior" in the Hispanic community than in the black community.

Cuciti argued for the need to focus on labor strategies and job retraining in developing policies for dealing with the Hispanic poor. She feels that it is particularly important to break the propensity to drop out of school.

National Will Needed

Shoshana Pakciarz spoke to "some of the ideas that lie behind the solution to the problem of poverty." Pakciarz asserted that the key element in holding back our efforts on poverty is the lack of social and political will. She criticized the nation's lack of commitment and the propensity to seek solutions that "won't cost us anything personally," adding that at the core, "we have accepted poverty."

Pakciarz challenged the panelists and audience at the Roundtable to set an "acceptable level" for the number of poor people, in her effort to have us clarify the issue. She defined poverty simply as not having enough money to buy life's necessities, and noted that most of the hungry are people who work.

Pakciarz's stated goal was to re-define the American dream, to "present a challenge to society" to ensure that "every working person should be able to afford housing, education, food, and health." She argued that the challenge facing Americans is the political system that has not produced leadership which would inspire us to achieve such a dream. She observed that while a great deal of attention has been focused on the homeless, there are far more people who are the working poor and hungry.

Mary Jo Bane reminded her audience that there is great diversity among the poor, that the majority are white, and that two-thirds of the non-elderly poor are the working people. Bane connected the issue of poverty with the overall themes of the Roundtable, arguing that "we need to think about the education system, about the employment system, and about training as ways of helping people become integrated into the mainstream of society." Bane called for health care, an adequate response to housing, and appropriate support for female-headed families. She also argued that welfare reform is a small part of the issue of poverty.

During the ensuing discussion, Peter Edelman emphasized the difference between the concentration of poverty and the persistence of poverty. Erol

We need strategies to help ensure that the benefits of low unemployment, of labor shortage and so on reach down into the pockets of our cities and to the people who most need them.

Ricketts was challenged for his assertion that the dispersal of the ghetto was not essential, but Ricketts pointed out that no matter where blacks are in a metropolitan region they do not compete well for jobs.

Stephen Coyle questioned why we maintain fifty different state welfare programs, and also asked participants why we do not create a single income maintenance system. His point was to consider the elimination of categorical assistance programs and instead focus on raising income. Robert Kuttner responded that the best solution would be in-kind service, for example health-care and child-care, as well as a wage subsidy.

Commentary

Mary Jo Bane

Poverty strategies must take advantage of the coming tight labor force

Harvard Professor Mary Jo Bane reflected on the urban poverty issue in the light of the three days of conference discussion.

Bane recognized that the slowing of labor force growth in the 1990s will provide opportunities for dealing with poverty. With a tight labor force and the strong economic growth that is possible, she said, a lot of people will be lifted out of poverty.

Bane agreed with William Julius Wilson's argument that the apparently deviant behavior found in the ghettos "can be interpreted as a response to very limited economic opportunities." However, she warned that general economic health will not "automatically" bring prosperity to the poor.

"It may be that there are strategies needed to help ensure that the benefits of low unemployment, of labor shortage and so on reach down into the pockets of our cities and to the people who most need them," suggested Bane. Such strategies may include investment in education and job training, "welfare reform that genuinely moves people into jobs," day care, and "help for people not to become parents too young."

A Workforce for the New Economy: Education and Job Training

Panel Members:

Robert Wood, Professor, Wesleyan University: Panel Leader
Rosemary Scanlon, Chief Economist, Port Authority of New York and New Jersey
Peter Edelman, Professor of Law, Georgetown University Law Center
Kristen McCormack, Director, Boston Mayor's Office of Jobs and Community Services
Martella Wilson-Taylor, Acting President, Transitional Employment Enterprise
Ellen Guiney, Education Advisor, Boston Mayor's Office
Bob Hayden, Executive Director, Massachusetts Pre-Engineering Program

Improvements in education and job training are required to prepare a labor force to meet the needs of the increasingly technical and services-oriented U.S. economy. The panel discussion covered such topics as the reform of primary and secondary education nationwide, the need for high quality education for all students, deficiencies and prospects of urban public schools, and the lessons from public-private partnerships in education and job training. The role of the baby boom and baby bust in shaping the labor force, the underutilization of existing pools of potential labor force members, and the need for job creation in many areas of the country were also discussed, along with how the funding of existing job training programs targets some groups to the exclusion of others.

A Variety of Economies

Economic growth and the growth in job skills of a labor force are closely intertwined. The importance of quality education in urban public schools and effective, targeted, comprehensive job training and services programs were acknowledged by panelists as the keystones to providing workers with skills that will enable them to participate in the new economy and to earn wages that will lift them above the poverty line.

America faces two economies now: a few areas with labor shortages and many areas with labor surpluses due to recession and other problems. Rosemary Scanlon, Chief Economist of the Port Authority of New York and New Jersey, foresees labor shortages developing now in many areas of the country with the exception of areas with high birthrates or high migration in recent years. Currently the most acute labor shortages exist in the Northeast where unemployment rates have fallen to 3-4 percent in the New York City area, and have dipped to 2.5 percent in Boston. Scanlon noted that these very low unemployment rates have provided the impetus to look harder at high dropout rates and at the options for traditional education and job training to prepare additional workers.

This tight labor market has resulted in declining levels of service, changing hours, higher wages, jobs unfilled, and, according to Scanlon, "the restructuring of jobs out of existence." In New York City, office cleaners earn $11.30 an hour, while their counterparts on Long Island and in Atlanta earn one-half and one-third of that wage, respectively. Restructuring of low-skill jobs is reflected in the slow 4 percent growth of clerical jobs in New York between 1980 and 1984, as middle managers incorporated more clerical work into their jobs. Scanlon predicted the elimination of many of the jobs that were created at relatively low wages because of the large number of post baby boom entry level workers.

The prospects for further growth in jobs and labor shortages in the Northeast, coupled with a housing shortage of crisis proportions, may lead to further

The need for child care looms as a very important issue when two-thirds of the additions to the labor force over the next ten years will be women.

restructuring of jobs and decisions by firms to move out or expand elsewhere. The availability of labor is determining firms' location plans, said Scanlon; the chances are slim that in the next two to three years either enough housing can be built or the educational system can be turned around to provide the labor needed for prospective job expansion.

In the national context, Scanlon noted the importance of demographic elements to solutions. First, the aging of the baby boom will create a "rising tide" of demand which will increase the level of wages, and create opportunities for the disadvantaged. In addition, regional shifts in the location of employment may accommodate mismatches of labor and jobs. However, Peter Edelman noted that "hot economies don't automatically end structural unemployment." The need, in some regions, for job creation for young people, perhaps similar to the New Deal's Civilian Conservation Corps, was also noted. Scanlon pointed out that foreign competition is likely to intensify, resulting in a restraining effect on wages in the U.S. which may cause the line between primary and secondary jobs to shift back and forth. Moreover, the need for child care looms as a very important issue when two-thirds of the additions to the labor force over the next ten years will be women.

Expanding the Labor Pool

Scanlon advocated reopening the debate about immigration to reconsider the number of immigrants to the United States in a era of a labor shortage. While we are restructuring jobs out of existence, the third world has an enormous excess supply of labor. While some jobs may be built up in those countries, we may want to develop a new U.S. immigration policy so that more of these jobs can take place here.

A large underutilized potential pool of labor exists among the poor, unemployed, and underemployed. Peter Edelman said that while about 2-3 million non-elderly poor work full time, and another 5-6 million work part time or part of the year, "most of the non-elderly... poor get most of their income from welfare and other forms of transfer payments." There were questions of the efficacy of traditional education, existing job training, and more comprehensive intervention strategies as a way to tap this potential source of labor. The prospects for improved and reformed education that would provide the skills to the urban, nonworking poor for employment are problematic. In addition to a better educational system, job training and structural intervention are needed by those inadequately served by the educational system to make them productive workers in areas of low unemployment and unfilled jobs.

Urban Public Education

The publication of A Nation at Risk in 1983 and subsequent reports by the Carnegie Foundation and others focused attention on the condition of American education. Robert Wood summarized the basic findings. First, "the teacher is the key" to good education. Adequate compensation, which numerous states were quick to address, is imperative to attract qualified teachers. Secondly, management reform in grades K-12 is necessary to replace the prevalent bureaucracy with school-based management where principals have autonomy and responsibility. This reform would take precedence over special programs for teenagers, adult literacy, and

American students have a responsibility to work hard and exercise self discipline in their education because they are losing out to students in other countries.

vocational education. Thirdly, American students have a responsibility to work hard and exercise self discipline in their education because they are losing out to students in other countries.

Wood went on to cite the difficulties in implementing these ideas. First, American primary and secondary education is "a very big and complex enterprise", employing more teachers and administrators than there are members of the U.S. military or the U.S. Post Office, and spending more money than any sector of the U.S. economy except health. Secondly, education is badly fragmented, with no central organization to oversee the 16,000 school districts and over 100,000 individual schools. Thirdly, this flat managerial organization is administered by educators who become administrative professionals late in life and whose site specific interactions with other educators lead to skewed priorities.

Ellen Guiney cited the specific problems of city public school systems. The accountability system does not work both because of the many layers of administration between the Mayor and the voters and

Commentary

Robert Wood

Education was the central concern of the Roundtable

Professor Robert Wood of Wesleyan University, leader of the panel on Education and Job Training, reviewed at the Wednesday wrap-up session not only the Conference but the last quarter-century of urban policy. A major figure in 1960s Democratic Administrations, Wood admitted that many mistakes were made by a Federal Government trying to do many things. However, he defended that decade's urban-oriented programs and laws: from the civil rights acts, through Medicare and Medicaid, to Head Start and the Title I education measures.

Wood went on to outline some differences and similarities between 1968 and 1988 pertinent to urban policy making. One difference is today's "volatile, turbulent, unpredictable" economy. While it has some positive aspects and other troublesome ones, said Wood, it lacks the "ebullient" spirit of the 1960s economy that allowed leaders to believe "we can do anything". Other differences include the loss of housing's "privileged position" in capital markets and the greatly increased sophistication and capacities of city governments and minority communities.

The central concern of the Roundtable, Wood maintained, was education as the starting point to building cities' futures. This was also a central theme in the 1960s, both for people concerned about teaching the skills of a new economy and those desiring opportunity for children in city neighborhoods. Wood reiterated his belief that the critical step in educational reform is the reorganization of school systems, now "autonomous empires... [that] can no longer live in isolation without business and community support."

States must provide both more adequate funding for education and equalization formulas that ensure that the quality of education a child receives is not based on where they grow up or who their families are.

teachers, and because of the need for multiple measures of a system's performance other than standardized test scores. She reiterated the importance of the individual teacher and noted that the teacher salary range is too small to attract and retain competent teachers.

Education Reform Policies

The proposals for change in the schools nationwide and in cities are both traditional and radical. Wood indicated measures that the Federal and state governments can take to improve education. At the Federal level, the compensatory education described in Title I, Title VII, Title IX and the 1964 Education Act can be expanded. Using the precedent of Federal assistance to communities impacted by military and defense, the Federal government might take the responsibility to aid schools affected by unemployment or immigration as well. Nonetheless, states are the key level of government, said Wood. They must provide both more adequate funding for education and equalization formulas that ensure that the quality of education a child receives is not based on where they grow up or who their families are.

Wood also recognized the importance of improving adult literacy and vocational education.

Guiney cited the need for higher funding to change the system by offering higher salaries and attracting more competent employees rather than adding on new programs. Guiney stated "the best teachers of teachers are other teachers". A new plan for certification requirements in Massachusetts would emphasize experience sharing between new and more experiences teachers; Wood mentioned the proposal of Professor Francis Keppel of the Harvard Graduate School of Education to place school systems that fail to retain and educate students in trusteeship or receivership, citing the precedent of Jersey City and Trenton in New Jersey.

Guiney noted the need to let other people into the educational process, forging partnerships with businesses, parents, and social service agencies, as a new base for accountability and performance measurement. She added,

> the nature of the population in an urban system absolutely demands that the schools let down the bureaucratic barriers that have been keeping everybody out. Social service agencies have to become part of the partnership in schools and they in turn will be another voice in the city that is saying the schools have to perform better with the kids.

The voucher plan being implemented by the State of Minnesota drew criticism as an answer to the problems of urban schools. Wood noted that this can become a way to pick among rather than reform school systems. While Guiney likes intradistrict choices, she said that competition cannot make the schools better in that the suburban schools tend to take the more promising students, with a commensurate loss in state revenues to the center city school system.

Technical Education

Robert Hayden spoke about his program, MASSPEP, in the Boston and Cambridge middle and high schools, discussed the effort to prepare more black and Hispanic students for engineering and math-science based college studies and careers. MASSPEP is an enrichment program to augment the

The Job Training and Partnership Act should be thoroughly reviewed. Training needs to be directed at men as well as women, working people, the underskilled, and welfare recipients.

math and science training in the public schools, providing opportunities for science research projects, a summer school in science and math, academic advising, science and math competitions, technical internships, and working on real world projects in urban design and architecture. Over eighty percent of its students have gone on to college studies in the technical fields. MassPep is one of twenty-two similar programs across the country, addressing the problem of supplying more technically knowledgeable workers at a time when the traditional pool of white male students is shrinking and students in general are eschewing the sciences in favor of other fields of study. By the year 2000, minorities are expected to account for one-in-three Americans. Such programs, therefore, make economic sense in heading off the "impending collision between economic need and demographic fact," said Hayden.

The continued success of MASSPEP and similar intervention programs will remain dependent upon additional funding from both public and private sources. It will also depend upon the quality of the instruction of these subjects in the public schools at the high school and primary grade levels.

Job Training

Participants felt that current job training programs are effective, but their scope is severely limited relative to the existing need. The Job Training and Partnership Act (JTPA) should be thoroughly reviewed, and its distribution formula should account for the local poverty rate. Training needs to be directed at men as well as women, the underskilled, and welfare recipients. Job training by business is usually restricted to current employees. Boston businesses are now seeing value in training outside people, reported Kristen McCormack. Both McCormack and Martella Wilson-Taylor expressed concern that the predominance of welfare funding in the Massachusetts job traing system has the effect of setting limits on training availability for young men. Massachusetts State policy targets result in over 75 percent of the job training funds going to training unemployed women and women who are on welfare, according to McCormack. Under the Federal JTPA, the majority of services also go to women and to unemployed women. Almost 100 percent of the Massachusetts Employment and Training Choices Program (ET) funds go to poor women. While these programs do a good job with women, it is done at the expense of young men who are dropouts or high school graduates and need training for growth industries. Overall, there is a need for additional job training resources.

Edelman praised the program but agreed that ET funding has taken funds away from other training programs at this time. Wilson-Taylor noted the underutilization of the existing labor pool, many of whom are minorities. Her agency receives ten to fifteen requests for job placement a day, with 80 percent of the requests from males. She strongly underscores the willingness of young people to work but pointed out that they simply don't know how to get a job. While business is helpful in placement, Wilson-Taylor noted, the lack of a public subsidy to TEE severely limits the number of its employees who can help place the unemployed in jobs, "it's a matter of ... really having the man-woman power to get these people into the jobs".

Recent initiatives guaranteeing employment to young people who stay in school and graduate are extremely important.

Peter Edelman's presentation was based on the thesis that job training cannot be looked at in isolation and must be targeted. He argued that experience under the Job Training Partnership Act shows that policies directed toward economic self-sufficiency in the best available job need to be targeted and designed for the specific population in question. Differing initiatives are needed for young people entering the labor market for the first time, welfare recipients, and dislocated workers. Job training by itself is an insufficient policy for many if not most of those who need assistance. For many people not in the labor force job training may in fact be less important than other services and types of assistance.

Edelman found important interrelationships between dropping out of school, youth joblessness, teen parenting, and basic skills performance. The inability to find a job and single parent families are also closely linked. Youth must often make decisions about entering the labor force and family formation at the same point in their lives.

Targeted Training

Edelman presented evidence that young workers, especially high school dropouts, are in real trouble and in need of targeted job training policies. The earning power of all male high school dropouts aged 20 to 24 declined 41.6 percent between 1973 and 1984, with that for blacks falling by 61.3 percent. In addition, the proportion of black male dropouts aged 20 to 24 who have no earnings rose from 14.2 percent to 43 percent during this time period. In 1984, only one-in-four black males aged 20 to 24 and one-in-three Hispanic males aged 20 to 24 earned enough to support a family of three above the poverty level. Eighty-five percent of households headed by females aged 20 to 24 who were high school dropouts were poor. Sixty-two percent of the babies born into female- headed household will spend the first ten years of life in poverty. Moreover, 60 percent of out-of-wedlock births were to women who had scored in the lowest 20 percent of basic skills tests.

In this context, said Edelman, there are two targets for a prevention strategy: first, those at the point of entry into the labor market and family formation; and second, female-headed households. Students must remain in school because high school graduation is the key to earnings, and remediation through a program later on is much more difficult. Said Edelman:

> Youth should be served to the maximum extent possible by mainstream institutions, whether it be the schools or community colleges, but both sets of institutions may need to offer programs that differ from current approaches. Youth in school and at risk of dropping out need to be offered work experience or cooperative education types of programs which combine year-round part-time work with a redesigned summer jobs program, conditioned on their staying in school. Job readiness and other bridge programs and activities need to be part of the effort. Recent initiatives guaranteeing employment to young people who stay in school and graduate are extremely important.

Female-headed households need not only job training but packages that include health coverage for prenatal and neonatal care, as well as day care.

Building partnerships between the schools and the business community has been valuable because they intertwine the development of both educational advancement and job skills.

Massachusetts Examples

Massachusetts has two programs that might serve as models for the rest of the United States. The Boston Compact works to keep students in school, while the ET program provides both job training and a package of needed services to welfare recipients. The Boston Compact, an agreement between business and Boston high school students, guarantees a job with minimum pay of $6.00 per hour to any student graduating from high school. While dropout rates in Boston have not declined, 80 percent of Boston Compact students are still holding their job or have been promoted 9 months later, with another 10 percent going back to school.

A Compact program would not work in those cities with high unemployment, because the students need job experience to make it work, Guiney warned. It's very important to identify high risk children early in school and hook them into summer jobs with remediation programs in the summer. Summer experiences are critical, she said. The STEP program, located in five sites, serves 14 to 15 year olds at risk. Two to three years in STEP will produce one year's improvement in academic achievement by participants. Children at risk need both visible opportunities and a good school system providing opportunities for them.

The Massachusetts ET Program provides a good approach to dealing with structural unemployment of those on welfare. It offers a package of job training, child care, transportation, and work experience which can be administered flexibly. The U.S. House welfare reform bill of 1987 calls for a similar set of programs, unlike the Senate bill on welfare reform which emphasises workfare and rigid participation quotas that will cut down on state flexibility.

Participants agreed that there is a need to restructure job training programs to achieve the policy aims appropriate for target groups, particularly youth. Remedial education must be built into the job training process. Building partnerships between the schools and the business community has been valuable because they intertwine the development of both educational advancement and job skills.

Commentary

Bernard Frieden

Nationwide concern gives cities an opportunity to press issues like education and housing

Bernard Frieden, Professor of City Planning and Chairman of the Faculty at M.I.T., remarked at the Wednesday wrap-up luncheon that since many problems discussed during the conference are no longer confined to urban areas, opportunities have arisen to elicit Federal action on these issues.

To Frieden, the expected labor force shortage will bring opportunities to improve educational programs. Employers increasingly will offer job training, along with higher wages and benefits like day care, he predicted. With concerns over international competitiveness adding a further imperative, there will be employer support and Federal interest in education programs to upgrade the labor force, so cities' lobbying for better education and job training may get results.

Frieden said he believed housing is another critical issue gaining interest beyond the inner-city constituency as even the middle class and young of all classes have trouble finding affordable housing. Again, this widespread concern gives cities an opportunity to make their case heard.

There are a lot of excellent housing programs in localities across the country, Frieden noted, in the public, private, and non-profit sectors. "We need a Federal re-entry into housing," said Frieden, but in a way that supports rather than displaces these programs. Housing also needs a more reliable source of financing than yearly Federal budget appropriations, Frieden argued. An off-budget source, such as a housing trust fund, is necessary.

Finally, Frieden assessed the future of development financing, asserting that it must change with a changing real estate market. Deals on new developments recently made in several cities have generated linkage funds, jobs, and community benefits; these can continue to be created in many cities. However, Frieden pointed out, Leanne Lachman's forecast of real estate trends of the 1990s suggests that new development will be slowing down, with the bulk of investment instead bidding up the prices of existing buildings.

Frieden said this trend can be capitalized upon by doing "accurate and prompt reassessments and fair property taxation of downtown" real estate, as values increase through resale, to raise city revenues. Frieden maintained that "cities have to go back to general property taxation" as the source for capital; he predicted that bonds and other financing mechanisms built upon a downtown tax base will increasingly become the way local governments will and should fund public improvements.

Systems Overload: Infrastructure and Transportation

Panel Members:

Alan Altshuler, Dean, New York University Graduate School of Public Affairs: Panel Leader
Marshall Kaplan, Dean, University of Colorado Graduate School of Public Affairs
Joseph Sussman, Professor & Director, Center for Transportation Studies, Massachusetts Institute of Technology
Richard Dimino, Commissioner, City of Boston Transportation Department
Mary Nee, Director, Boston Mayor's Office of Capital Planning
Janet Rothenberg Pack, Associate Professor of Public Policy and Management, University of Pennsylvania
Nancy Rutledge, Executive Director, National Council on Public Works Improvement
Thomas Butler, Manager of Intergovernmental Affairs, Massachusetts Port Authority

The state of America's infrastructure is an issue being addressed nationwide on all levels of government. The large cost implications and widespread need for infrastructure improvements have prompted a number of recent reports which analyze the state of the nation's infrastructure; America In Ruins, Hard Choices, and Fragile Foundations. These sources provided up-to-date background information and insight for this conference session.

America In Ruins, by Pat Choate and Susan Walters, attracted national attention with its estimate that $2.5 trillion would be needed to maintain our nation's aging infrastructure between 1983 and 2000. A number of studies were conducted in response to this book. Furthermore, the tax on gasoline was increased to provide future financing for repairs to our nation's highways through the Highway Trust Fund.

Hard Choices was prepared by a group led by panelist Marshall Kaplan for the Joint Economic Committee of the U.S. Congress. This document included a needs study of the nations infrastructure. It estimated that $1.1 trillion would be needed by the year 2000, while only $714 billion in revenues were anticipated. The result was an estimated gap of $443 billion, annualized to about $20 billion per year.

Fragile Foundations: A Report on America's Public Works, the most recently released study on infrastructure, was produced by the National Council on Public Works Improvements, led by panelist Nancy Rutledge. This study concluded that the nation needs to double its present infrastructure spending from $40-$50 billion per year to $80-$100 billion per year until 2000.

Regional View Necessary

Marshall Kaplan began the session by stating a number of methodological problems hampering infrastructure decisions. The first problem he cited was the large number of entities involved in the development and maintenance of infrastructure. For example, in the State of Washington alone, there are 8,100 public water systems. The panel proposed that a regional perspective be used when evaluating this type of situation.

A second problem pointed out by Kaplan was the lack of a system for collecting data on infrastructure. A third problem was the need for a uniform set of standards for infrastructure. Most standards are engineering based or product oriented and other factors such as ecological or social values are rarely considered. As Alan Altshuler pointed out, "The problem with national standards as a way of solving problems [is that] if we applied Los Angeles standards of freeway [construction] to Boston, there wouldn't be any Boston left."

To remedy this situation, an organization such as the National Academy of Sciences could be enlisted to develop Federal standards for basic infrastruc-

If highways were priced to the users at cost, there would be less demand for them, especially in urban areas where highways are more expensive and mass transit is a viable alternative.

ture. According to Kaplan, "this group would look at the standards of infrastructure, and have people on it who reflect community biases, social biases, philosophical biases and engineering."

Who Pays the Price?

The fourth problem Kaplan presented was the lack of price and market sensitivity in managing demand for infrastructure. For instance, Kaplan remarked, "In Colorado, if we priced the water at the actual cost, we wouldn't have a water need that we now have." The same applies to highways; if they were priced to the users at cost, said Kaplan, there would be less demand for them, especially in urban areas where highways are more expensive and mass transit is a viable alternative.

Alan Altshuler spoke about using pricing strategies as a demand manager. Using New York's Kennedy and LaGuardia Airports as examples, Altshuler noted that by raising landing fees for small aircraft in 1986, general aviation demand in peak hours fell by 30 percent and delays fell by 50 percent. Since demand has once again risen and the New York area population is unwilling to accept new runways or new airports, the general aviation fees have doubled again. Thomas Butler from the Massachusetts Port Authority (MassPort) pointed out that because MassPort is unable to build any more runways to alleviate the congestion at Logan Airport, the fees for general aviation are being raised in an effort to achieve the same results as New York.

When 1986 Federal, state and local cost-sharing rules took effect, according to Fragile Foundations, most of the deep draft ports recently authorized by Congress were scaled down. Altshuler described the Army Corp of Engineer's Norfolk, Virginia Port project as follows; "It was a $400 million plan until Federal cost sharing was imposed and then the locals decided [that] a $50 million plan would do just fine."

Capacity Prediction Difficult

Another infrastructure issue addressed was the difficulty of projecting needs for infrastructure capacity. Many entities project their future capacity needs on population growth projections that are inadequate or wrong. This leads to underutilized or insufficient infrastructure projects and sometimes to underestimation of revenues that are projected to pay for the infrastructure projects.

The fifth infrastructure problem raised by Kaplan was the gap in revenues and infrastructure spending of $443 billion reported in Hard Choices. A remedy proposed in the report was the creation of a National Infrastructure Bank capable of loaning money to states and communities on a revolving basis. Another recommendation was that state and local governments be assured of reasonable access to the tax-exempt bond market for basic infrastructure development purposes.

Privatization was raised by several speakers during the infrastructure session. It was mentioned in relation to Boston Harbor water transportation. Thomas Butler discussed the airport water shuttle which is a joint venture between the Massachusetts Port Authority and a private corporation. Privatization was reported in Fragile Foundations to be a strategy that a number of localities are using to reduce capital costs to the municipality. It is estimated that during 1988-89, $3 billion worth of facilities will be privatized.

"It's a lot easier to get dollars for new construction than for maintenance of existing facilities. There's very rarely a ribbon-cutting on a maintenance project so indeed we often build new while not effectively maintaining what we have."

Deferred Maintenance

A major issue of discussion was on deferred maintenance of infrastructure caused by political, fiscal, management, and technological factors. Joseph Sussman quoted an example of deferred maintenance from a New York Times article on June 10, 1988:

> For nearly two decades, engineers warned in a series of reports that the Williamsburg Bridge approaches were decaying but New York City failed to act in time to prevent the bridge from being closed as a hazard, according to inspection documents, budget memos, and interviews with state and city officials. As early as 1971 officials were told that erosion on the approaches was severe and that repairs should be made.

Sussman added, "It's a lot easier to get dollars for new construction than for maintenance of existing facilities. There's very rarely a ribbon-cutting on a maintenance project so indeed we often build new while not effectively maintaining what we have." He also pointed out that, "A dollar not spent this year can lead to five dollars that need to be spent several years down the road."

Commentary

Ian Menzies

We need to stir the electorate when fighting for these issues

Ian Menzies, formerly of The Boston Globe and now a Senior Fellow at the John W. McCormack Institute of the University of Massachusetts at Boston, focused his Wednesday wrap-up remarks on how to present the issues discussed in the Roundtable "with sufficient excitement to catalyze public support." He suggested a conference be held on "the delivery system" by which urban concerns could be placed on the national agenda in a way that would "stir the electorate."

Menzies touched on many issues, calling for both general and specific action. While the problems of inner-city schools may be solved only by a "socio-educational revolution," Menzies also suggested storefront support services to help "uneducated single mothers help their children." Programs for the poor must include the working poor, said Menzies, with universal health care a related necessity. Menzies argued that health care must be elevated to a human right, "as in every other Western nation."

Business must become involved in the housing of its employees, Menzies said, preferably as close as possible to the workplace. This would help contain both the housing affordability problem and the traffic crisis now affecting suburban areas as much or more than central cities.

Menzies used infrastructure needs as an example of how to dramatize issues. Menzies urged his audience to press for a "national domestic renaissance" including fast trains, safe bridges, clean water and air, as well as a halt to acid rain and the dumping of sewage and nuclear wastes in oceans, bays and rivers. "Why couldn't that be an exciting package?" Menzies asked, adding that it was "a natural for Michael Dukakis."

"Many of our foreign trading partners and competitors are beginning to spend a great deal more on infrastructure research, not only because they witness infrastructural problems in their own country but because they also know that there's a tremendous market in this country."

Nancy Rutledge described how the National Council on Public Works Improvements, which produced Fragile Foundations, came to conclude that the Federal government should consider supporting infrastructure maintenance as a partial solution to the maintenance problem. Alan Altshuler asserted that the solution to maintenance problems lies in improving "human systems", smarter spending, and building a political constituency for infrastructure maintenance.

The "human systems" problem that Altshuler referred to is that our infrastructure institutions "pay very little attention to recruitment, retention, training, motivation of the people in the systems." Altshuler also called for "professionalization of the infrastructure operations and maintenance activities." An example of "smarter spending" would be to reconstruct certain bridges to handle lighter traffic as an alternative to replacement.

Altshuler argued that the role of infrastructure maintenance should be strengthened in the political arena. He suggested that this can be accomplished by building a political constituency for good infrastructure maintenance and by creating agencies with user-financed sources of income.

According to Joseph Sussman, part of the problem is that there is not enough money being spent on basic and applied infrastructure research. The present portion of the highway capital budget designated for research is 0.17 percent, which he said is inadequate to meet the short-term and long-term needs. Sussman advocated much more basic research and efforts to apply new technology and advanced materials to infrastructure needs. Such research would involve hard technologies such as new materials in addition to ground penetrating radar, and soft technologies such as data base management and expert systems. An example of useful research would be the Strategic Highway Research Program (SHRP) which aims at improving pavement and bridge materials through a program of short-term high-payoff research. Nancy Rutledge supported Sussman by pointing out that

> we spend an infinitesimal portion of the investment we make right now, on R & D. It's interesting to note that many of our foreign trading partners and competitors are beginning to spend a great deal more [on research], not only because they witness infrastructural problems in their own country but because they also know that there's a tremendous market in this country. They're obviously moving into our country at a startling rate, both in terms of equipment and manufacturing, but also in terms of construction firms.

Public Input Lacking

Another problem with infrastructure addressed by a number of the panelists is the lack of public input in the infrastructure decision-making process. Nancy Rutledge's view was that

> infrastructure demands much, much more attention [by] the public, the people who use the system.... When a system begins to erode, when it does not provide the level of service that they are used to, or imagine is necessary or is important, they become very upset.... We can do a much better effort at raising public consciousness, bringing [the people] into a capital planning process. Capital planning is no panacea, it doesn't transform the system. But it certainly makes people aware of the relation between what they pay and what they get.

Sam Bass Warner supported this view, saying that "anything we can do to give people [a] sense of alter-

The general public must be brought into the decision-making on alternatives for infrastructure improvement, allowing people to be aware of the relation between what they pay and what they get.

natives and get those alternatives into the political process would be an enormous help".

Alan Altshuler proposed a three step model for decision making. He gave an example of a transportation project. First, an "inventory of facility conditions, traffic congestion" and so on would be done; next, a series of options would be developed and presented for public discussion; finally, the public could choose the option that it was most willing to pay for.

The issue of who should pay for infrastructure was brought up throughout the conference. Janet Rothenberg Pack discussed some the of implications of having developers pay as a means of "capturing the negative externalities produced by these developments." While this may be right in many cases, said Pack, often we ignore

> the beneficial externalities for other parts of the community of some of these infrastructure developments. For example, having a developer of a new residential development build the public school, is not entirely consistent [with] our notion of why the public sector is financing public education ... It also makes distinctions between old and new residents of acommunity. The new residents of a community are being called upon to pay for their own schools; they surely will pay taxes to the general budget to pay for the maintenance of the old schools. Therefore, we are treatingequals unequally, which seems ... a violation of one of the basic tenets of public finance."

Stephen Coyle noted that there are underlying economic realities that need to be fully understood by government, developers and the public in order to make public-private financing work. According to Coyle, a capital cost theory must be applied in order to determine the degree to which developers should pay for things beyond development. Only when it is determined that the return on capital exceeds the transaction costs and the opportunity costs, is there an economic potential for an exaction.

Commentary

Sam Bass Warner, Jr.

A panelist reflects on the Roundtable from his perspective as a historian

As a historian I was particularly taken by the very decisive changes which have taken place in the circumstances and possibilities of this and other American cities during the past 35 years.

My first impression: at all the sessions the municipal and state civil servants exhibited a confidence and competence which would not have been there in 1950. It seems as if the Federal urban renewal and Great Society programs of the fifties and sixties has trained a generation of public sector people who now are competent to manage complex programs.

This confidence at the local and state level led to a general demand through the sessions that future Federal policies depart from the old formulas. Namely, people wanted the old close Federal supervision of local authorities (as in public housing) to be replaced by funding of general programs which the states and the municipalities would then be free to tailor the their specific needs. I think this is a very basic and welcome change in our federal politics and local administrative capabilities.

Since Federal aid to cities and to housing has been drastically cut back an ingenious series of local accommodations has come forward to ease the pain. The alliances of bankers, city officials, community development corporations, and various not-for profit housing schemes were quite impressive examples of locally-based coping skills.

As a historian, I am fearful for these trends. On the one hand they remind me of the philanthropy plus 5 percent climate of the 1890s and the model tenement and model housing movement of those days. These initiatives I think will be good at demonstrating new housing forms, new community arrangements, but they will not, any more than their predecessors, be able to produce a lot of housing. I am worried that the complexity of the financing, the pyramiding of funds and money sources will produce unstable institutional arrangements, a kind of limping local feudalism, if you will.

Thus, there was an overall impression of the weakness of cities in the face of major national events and decisions. The shifts in the world economy and the monetary policies pursued in Washington since 1973 have quite altered the situation of our cities. In the fifties and sixties the problem of the core cities was being at the abandonment end of a fast flowing housing filter. Now the problem in housing stems from the collapse of the middle income housing market and its financial institutions.

Similarly, the shifts in employment and wages towards jobs which require high school and post-high school education leaves all the center cities their mal-functioning school systems in grave difficulty. We can't patch up the situation by importing manufacturing jobs. We are going to have to tackle the education issue head on.

It would be desirable if some of the experience of neighborhood control, local mobilization, and community alliances which was learned in housing and urban renewal could be transferred to educational reform. It seemed to me that the job, child care, health service, and education speakers were all saying that right now we are at the 1949 unattended decay, pre-urban renewal stage in human services. Is it not possible to race forward in human services and education to the level of competence and sophistication which we have learned through urban renewal and subsequent urban partnership programs in housing and real estate?

Forging New Partnerships: Financing Urban Development

Panel Members:

Lynne Sagalyn, Associate Professor of Planning and Real Estate Development, Massachusetts Institute of Technology: Panel Leader
Joseph Coomes, McDonough, Hough, & Allen
Robert Embry, President, Abell Foundation
William Whitney, Assistant Director, Urban Design & Development, Boston Redevelopment Authority
William Hayden, Senior Managing Director, Bear, Stearns & Co., Inc.
Ann Bowman, Associate Professor of Political Science, University of South Carolina
Patrick Clancy, Executive Director, Greater Boston Community Development Corporation

The diminished availability of public funds for urban programs, particularly from the Federal government, has had a severe impact on the ability of local governments to meet basic needs such as adequate housing and infrastructure.

Cutbacks in Development Financing

Panelists remarked that the cutbacks of Federal funds available for local development projects have had serious implications for the types of projects local governments are able to undertake. One element in rectifying this neglect, they noted, would be renewed Federal willingness to attract and raise funds which would be directed to meeting the nation's redevelopment needs. In the absence of a renewed Federal role, however, state and local governments have used new mechanisms and formed new public/private partnerships to garner or create development funds. These initiatives became the focus of the panel session.

Lynne Sagalyn opened the session by presenting an overview of recent changes in development financing. Her focus was on how cities and localities have been coping with the cutbacks in funds for development projects during the last eight years. Sagalyn focused on three points.

First, cities have become more intimately involved in financing and planning development, Sagalyn reported:

> Unlike the past, cities are no longer conduits for Federal funds providing assistance in line with a Federal formula. With the shutdown of urban renewal programs and cutbacks in categorical aid programs, cities began to custom-tailor deals to fit local needs. They no longer, for example, provide just assistance for land purchase, but get involved in parking and components of actual downtown private projects, such as common areas, small spaces and even the building.

Second, cities have become adept at combining funds from many sources "in very complex and innovative financial packages," Sagalyn said. Cities have tacked programs "onto the remains of Federal categorical programs," have garnered money for projects from state funds, have drawn upon community development funds, and have even borrowed from city capital budget allocations. Cities have turned to previously untapped funding sources, engaging local private businesses for seed money for projects, said Sagalyn, adding that "they also turned heavily to developers for loan advances if they had a timing problem on cash flow." Despite all this, however, the main source of funding for cities has remained their own tax-exempt bond issues, both revenue and general obligation bonds. Some cities are able to use tax increment financing as a means of supporting bonds for development projects.

Sagalyn's third point was that cities coped with the cutbacks because the funds they were able to substitute for Federal dollars were of great value to

Increasingly, cities have "moved beyond the regulatory role," bargaining for financial benefits as a co-investor.

private developers. She pointed to tax-exempt bonds, which cities have used because their lower interest rates offer valuable savings to developers. In addition, she noted, cities have learned to take advantage of Federal tax incentives for projects like historic preservation.

Sagalyn said this type of "substitution" might be regarded as a change from one type of Federal aid to another. "Instead of the cash grants of the categorical aid programs [in past years]," she noted, cities now use

> indirect Federal subsidies that are really a kind of entitlement program. There's no application procedure. There's no delay. There's no uncertainty about the level of programmatic appropriation and so the kind of flexibility that this kind of entitlement status offered cities... [became] a way to finance a project.

The "rulemaker" in this new type of development financing, Sagalyn pointed out, is the private market and the municipal bond market. When financing shifts from Federal direct cash grants to an indirect tax subsidy, the ability to finance those packages depends on the acceptance of the bond market of a particular project.

Success depends less upon "voter approval" for extra spending or budget reallocations. Sagalyn reminded her audience that tax increment financing and revenue bonds do not require voter approval; tax abatement does not appear on budgets because it is deferred potential revenue. Private development can be subsidized without budget allocations by granting low market interest rates and lease arrangements. Increasingly, Sagalyn concluded, cities have "moved beyond the regulatory role," bargaining for financial benefits as a co-investor.

The remaining panelists used their own experiences to examine development programs of the last twenty years, and to discuss the various methods by which local governments are financing development in the 1980s.

Urban Development Action Grants

Robert Embry, former Assistant Secretary for Community Planning and Development at H.U.D., focused on the Federal Urban Development Action Grant (UDAG) program as a precursor to many of the now locally-based development financing mechanisms. He noted that one of the central features of UDAG was its provision that the Federal government would make grants to distressed cities for "activities the distressed cities think are worthwhile." Embry called UDAG "a quintessential trickle down" program, one that "does not intend to directly aid poor people. It helps poor people by helping cities, by attracting jobs and taxes to the city."

UDAG was a clear predecessor to today's entrepreneurial development financing mechanisms, Embry noted, because of its requirement that a commitment of private money be made before the Federal money was invested. Both this stipulation and another requiring private funding to be two and one-half times greater than the UDAG funds allocated, were added after the program got underway. Private funds had to be spent first, Embry pointed out, and UDAG funds were awarded on the basis of a competition as evidence that the project inspired local entrepreneurship in sponsoring public development.

Embry maintained that UDAG proved a large Federal program can be run without corruption; that

" In California, tax increment financing is probably the second greatest source of economic activity in the state next to the home building industry."

large amounts of private money can be attracted to cities, at very healthy private-to-public dollar ratios; and that cities can be taught how to be dealers. He noted that UDAG produced 2,800 projects in 1,100 communities during ten years, using $4.5 billion of public money and $28 billion in private funds, a ratio of over six private dollars for every UDAG dollar.

Two thirds of the UDAG money went into commercial projects, Embry said, for the service economy in which private developers were willing to invest. However, he cautioned that much of this development resulted in shifting jobs from place to place: from the suburbs back to the central city, a tactic that may not be appropriate in an era of global competition. He also noted the importance of financing small firm startups, and predicted that the capacity of cities to respond to the needs of both firms and developers will continue to remain important.

Tax Increment Financing

Joseph Coomes spoke about tax increment financing (TIF) in California, which, he said, "next to the home building industry is probably the... second greatest source of economic activity in the state." He described the concept behind TIF, which has existed in California since 1952:

> The concept was that a project area, through the increase of investment in assessed values, would pay for itself, would amortize its debt... [When] the redevelopment project is adopted... the assessed value of all taxable property in the project area is determined. That's called the base roll for tax increment purposes. As the assessed values in the project area increase, for any reasons, just natural reassessments or increase because of new investment in new construction, the taxes are allocated. The taxing agencies continue to receive the taxes that they would have received from the base roll, the assessed value at the time of the project's adoption. The redevelopment agency is allocated all of the taxes from the increase in assessed valuation, tax increments.

In fiscal year 1985-86, he stated, California redevelopment agencies had $3.2 billion available for expenditure. Almost $2 billion of that came from the proceeds of bonds secured by the pledge of tax increments. Direct tax increment allocations themselves accounted for an additional $582 million; advances from city and county governments were $208 million. Federal grants accounted for only $33 million, less than one percent of the money available to redevelopment agencies.

These funds are used in California's 526 redevelopment areas for commercial, residential, public facilities, and industrial development projects, Coomes said. Through a mechanism similar in concept to Boston's linkage, tax increments from one project area may be spent in another so that weak project areas can be coupled with strong ones. Coomes pointed out that 20 percent of the tax increments have to be set aside for low and moderate income housing, to ensure that residential needs are met.

Coomes noted that California agencies have used the TIF mechanism to recoup some of the benefits lost through Federal cutbacks and tax changes. Many agencies now do land acquisition with developer or city advances and pledge the tax increments to repay those advances. Similarly, redevelopment agencies are now using tax increment financing in conjunction with special assessment districts imposed on developers to help defray a portion of the project financing.

Parcel to Parcel Linkage works well in a city like Boston where the downtown real estate market is booming and proceeds from development in a prime location can be targeted to less well-off neighborhoods.

Coomes concluded by stating that TIF leads to local control and flexibility, with an "ensured... off-budget income stream" for project financing. TIF can also keep up development momentum in a growth area in which development is already underway.

Linkage

William Whitney spoke about the mechanisms Boston has employed to finance balanced development. He discussed a program pioneered by Boston, Parcel to Parcel Linkage, which he described as "an appropriate response to the market conditions here and to Boston's needs." He commented that "appropriateness" must be a key part of any city's funding mechanisms: Parcel to Parcel Linkage works well in a city like Boston where the downtown real estate market is booming and proceeds from development in a prime location can be targeted to less well-off neighborhoods. In a city with high unemployment, less development, and no "hot area," however, Parcel to Parcel Linkage would not be appropriate.

Whitney described Boston's first Parcel to Parcel linkage project, linking development of the downtown Kingston-Bedford and Essex Street garage and parking lot site to development of Parcel 18, a site in the Roxbury neighborhood. The Kingston-Bedford site is an extremely attractive site to developers, Whitney explained. "If the city were to seek private development proposals, irrespective of any kind of policy concerns, the city could get upwards of perhaps $40 million for the site, based on... the current zoning" and real estate climate. Because Boston has improved its finances, Whitney said, it "is no longer in a position where it needs to sell real estate assets to balance the budget... and is able to direct these resources instead to achieving policy objectives."

To achieve the objective of spreading downtown prosperity to elsewhere in the city, the downtown site is offered at a price well below its market level with the stipulation that its developer must apply the savings to subsidize development of the neighborhood site which might otherwise not attract an investor.

Whitney added that the Parcel to Parcel Linkage process allows the community to participate in development. The project also will pay real estate taxes, will pay linkage funds per square foot for jobs and housing in the neighborhoods, and will be subject to an environmental review process, assuring the actual building is appropriate to the site.

Raising Capital

William Hayden approached the subject of development financing from the point of view of the financial community. He discussed means by which cities can find new ways to finance some of the things they want to do in community development, focussing on raising money by tapping surplus capital.

Hayden particularly stressed the possibilities of partnership with the financial industry. "I can assure you," he said, "if the programs develop, then the financing community will react... if we can make money." He noted that Japan will be a primary source of capital surplus for the forseeable future, in both direct real estate development financing and for letters of credit behind city-sponsored development projects. Japanese banks, Hayden stated, prefer to

Japan will be a primary source of capital surplus for the forseeable future, but tremendous surpluses of capital also are building up in the Social Security trust fund and pension funds.

invest in municipal development than in possibly more ephemeral private businesses.

Hayden also focused on the "tremendous" surpluses of capital building up in the Social Security trust fund and pension funds. He recommended that the Federal Government establish a pension fund guarantee program. This would guarantee ten percent of the investments of pension funds if they are made for public purposes. Not only would suc a program provide "major capital," Hayden said, but "the decisions could be made at the local level as to where these investments are needed."

Hayden encouraged cities to examine the possibilities of tax increment financing, and urged them to continue to use tax-exempt bonds. He suggested that local governments should mount a campaign for Congress to:

> remove the arbitrage limits off tax incremental bonds or any kind of tax-exempt bonds and remove the volume caps so that global decisions can be made as to what the needs are and how much you need to finance on those tax-exempt bonds.

Hayden concluded by expressing optimism about the future of public finance. "I am sure," he noted, "that the city of Boston's going to be here for a lot longer than I am, and it's going to need ways of doing public finance." The finance community recognizes this, and therefore is willing to serve municipal needs.

Economic Development

Ann Bowman addressed local economic development issues in cities. Bowman cited a survey she conducted last year for the National League of Cities in which she asked mayors about economic development. She did not find a clear link between active government stimulation and guidance of economic development and successful results in terms of economic turnaround.

As seen by mayors, Bowman noted, "the goal of the economic development process is very clearly... to increase employment, to retain jobs in businesses. There is also strong support for improving the city's tax base." Bowman noted that diversifying the local economy was of interest to about one third of the mayors in the survey, but that developing an indigenous, self-sufficient business base was not seen as particularly important. She also pointed out that less than 10 percent of her respondents perceived "channelling economic benefits to the poorest area" of town as an economic development goal.

Bowman then shifted to an examination of the tools employed by planning professionals to achieve these economic development goals. General programs undertaken to meet economic development goals have been retaining, expanding, and attracting business; redeveloping central business areas; retaining and attracting industry; and redeveloping neighborhood centers. The sources and types of financing for these programs differ, though the main tools are infrastructure improvements, tax-exempt bonds, revolving loan funds, tax abatement and land acquisition and disposition.

The beneficiaries of the economic development process, Bowman pointed out, have been central business districts, local developers, the local labor force and existing firms. Those benefiting least are middle income neighborhoods, out of town financial interests and the in-migrating labor force. Low income neighborhoods and the unemployed work force rank between these two extremes.

Cities say they have been successful in changing their physical appearances through redevelopment, in expanding their tax bases, and guiding quality growth.

In conclusion, Bowman noted that cities say they have been successful in changing their physical appearances through redevelopment, in expanding their tax bases, and guiding quality growth. However, she cautioned, they do not report the same level of success with the number of jobs or the amount of diversity in the local economy. It is uncertain whether city redevelopment plans have been able to increase personal income within cities or redistribute wealth, noted Bowman. She did, however, find a "very weak" yet statistically significant relationship between "long term unemployment change" and the use of certain kinds of policy tools: land assemblage, infrastructure improvements, employee training and retraining, business assistance and strategic planning.

Affordable Housing Financing

Patrick Clancy addressed some of the issues facing affordable housing financing and public-private partnerships in the housing arena. Clancy noted first that "resource aggregation" is as important in housing development as it is in commercial development, given the withdrawal of the Federal government from housing financing. He outlined the many mechanisms contributing toward feasibility and affordability in the housing arena:

> You're talking about generally eight to fifteen different resources .... to accomplish one housing development. And that means you've got a little Block Grant money and a little weatherization money on the capital side, you've got credit enhancement and some state interest write-down on the mortgage assistance side; you've got rental subsidies from a couple of different sources on the income stream side and probably an income stream coming out of a linkage program if you've got a supportive local government; and you've got equity capital coming from the complicated use of things like low-income housing tax credit. But you've also got bridge financing up against that equity capital so you end up with a dozen different resource elements that need to be aggregated.

Clancy noted that because of the complexity of housing development, "huge elements of the real estate industry are no longer active or no longer even consider being active in affordable housing production efforts." Thus, public-private partnerships become even more important. He pointed out that to encourage locally-based public-private partnerships for affordable housing development, some type of Federal support for housing-- like UDAG provided for commercial development-- is necessary. He applauded the Housing Opportunities Program, which is a proposed major element of an expanded Federal role in the recently released report of the National Housing Task Force.

Clancy concluded by noting that one of the major drawbacks to resource aggregation is that each of the resources to be utilized has its own review, cost-certification, and underwriting process, which costs money and duplicates effort. He called for some type of insurance program or new kind of financing vehicle which would streamline resource aggregation and thereby simplify the development of affordable housing.

Developing the Future

Sagalyn made some predictions about the future of urban development. She noted that cities have been "incredibly inventive" in finding new methods of funding, and will continue to do so using tax increment financing, special districts, and general obligation bond debt for capital improvements. She

Cities will begin thinking strategically about the use of their property, much the way business and private investors would think, to try to maximize the public benefits package they can secure from developments.

predicted that the widespread use of the new financial techniques will be a first phase response to the cutbacks, as cities search for substitute funds.

After that, as a second phase, she predicted that cities will begin thinking strategically about the use of their property, much the way business and private investors would think about the use of their property. In addition, she noted that cities will begin using leases and disposition of public parcels as "a real source of revenue," using land to sell development rights rather than to subsidize development. In general, she predicted, cities will expand their role as investors, to try to maximize the public benefits package they can secure from developments.

Sagalyn did indicate some concern, however, for financial accountability in this era of growing "off-budget" accounting. As more and more cities experiment with development financing mechanisms which sidestep the restrictions of Federal programs, budget allocations and voter approval, accountability for the opportunity cost of public assets may be lost.

Commentary

Stephen Coyle

The problem central to the conference's interconnected issues is the polarization of wealth

In his remarks closing the Roundtable, Boston Redevelopment Authority Director Stephen Coyle looked back to the planning of the conference, recalling a decision to base the Roundtable on a three-part framework for analysis.

First, that the various issues in cities-- affordable housing, the role of community groups in development, education, the managing of markets and so on-- had an important interconnectedness that is often overlooked in the effort to characterize questions as "separate categorical elements."

Second, that we must think of urban issues in terms of national economic policy. Economics goes beyond market and GNP status to quality of life issues, the future, and opportunities.

Third, that we must understand how all of the above fits into the world economy. Coyle noted that the nation's faltering position in the world economy is a serious constraint on what government can achieve. Given this constraint, we must re-examine our spending priorities beyond the simple dichotomy between domestic and defense.

Coyle went on to quote Justice Brandeis' observation that "It is at the local level the laboratories of innovation are to be found." The national debate must consider the ideas that have worked, wherever they have come from, in order to fashion realistic policies for the 1990s.

Finally, Coyle expressed his belief that the continuing theme of the Roundtable debate-- and the central issue America must face-- is the increasing polarization of our society, with the growth of wealth, economic power, and therefore political power, in the hands of a few. While the conference did not discuss how "we deal with the question that the inequality in the distribution of wealth is becoming a fundamental and disturbing factor in our lives", Coyle said, unless we face this issue "we will not be able to shape the policies that allow cities to grow;" nor will we be able to maintain what Jefferson termed "this republican way of life".

This question of what to do about inequality cannot be understood, Coyle argued, until we understand the Roundtable's three principles: "the interconnectedness of the issues"; the "connectiveness of the city to the Nation"; and how all these relate to "the world's possibility for growth and economic change."

Planning Visions: Past, Present and Future

Luncheon Speakers:

M. Leanne Lachman, Managing Director, Schroeder Real Estate Associates
Jerold Kayden, Visiting Faculty Member, Lincoln Institute of Land Policy

Panel Members:

Charles Redmon, F.A.I.A., President, Boston Society of Architects
Alex Krieger, A.I.A., Associate Professor of Architecture, Harvard University
Eric Schmidt, Staff Architect, Boston Redevelopment Authority
Steven Cecil, A.I.A., Senior Urban Designer, CBT Architects
David Dixon, A.I.A., Principal, David Dixon & Associates
David Lee, A.I.A., Principal, Stull, Lee & Associates
Justine Liff, Boston Parks and Recreation Department
Elizabeth Padjen, A.I.A., Principal, Padjen Architects
Homer Russell, Director of Urban Design, Boston Redevelopment Authority
Donald Brown, Boston Public Schools

A number of Roundtable speakers and panelists looked into the urban future from diverse perspectives-- the real estate analyst, the land use lawyer, and the urban designer. The strong future demand for real estate in central cities, increasing conflicts over urban land use, and creative design to shape the cities are themes that are part of a commitment to the future of cities and the quality of urban life.

M. Leanne Lachman was upbeat on business firms' and investors' preference for large cities as centers for commercial development, where market values will continue to appreciate. Business firms are expected to reach out and upgrade workers' skills through job training, as a means of coping with the anticipated labor shortage. Jerold Kayden called for innovative land use controls and programs to ease mounting pressure to achieve social objectives and to spread the cost of infrastructure renovation fairly among users. In the session on Planning Visions, the Boston Society of Architects focused on cities' futures seeking designs that preserve and enhance the quality of life, broaden horizons, revitalize core neighborhoods, enhance public spaces, and preserve unique urban character.

The speakers and panelists implied that the qualities and characteristics of cities that made them attractive to real estate investors, employers, workers, and residents in the 1980s are at a turning point. Today's complex city requires the combined attention of the business community, concerned citizens, and those public bodies that are responsible for planning, design and land use regulation to ensure a future that holds promise and opportunity for all.

M. Leanne Lachman: Development Forecasts for the 1990s

M. Leanne Lachman presented her analysis of real estate development prospects for American cities in the next decade. She foresaw favorable conditions for continued development in central cities throughout the 1990s. Despite the ever shrinking Federal support for cities, Lachman forecast a continuing influx of money for real estate investment. She argued that cities should take an entrepreneurial approach to development to fill the void left by the Federal Government over the last decade. She suggested that "urban policy proposals for the next decade should take private sector supply and demand characteristics into account ... and build

The large sums of investment dollars that fed the record-breaking commercial construction activity of the early- and mid-1980s will continue into the 1990s.

upon them or adapt to them in as realistic ways as possible." According to Lachman's analysis, the large sums of investment dollars that fed the record-breaking commercial construction activity of the early- and mid-1980s will continue into the 1990s. This would drive up prices as an abundance of capital chases a scarcer supply of new stock. She noted that currently there is a serious over supply of commercial real estate of all types, making it favorable for tenants to negotiate lower rents and causing building owners to get lower yields. Already some lower quality projects have gone bankrupt with the taxpayers left to bail out the savings and loan institutions that eagerly gave money to "developers of questionable projects in the mid-1980s." Lachman observed that construction activity has slowed over the last year but will not halt. Instead, developers are focusing on markets that have vacancy rates below the national average such as Boston, Hartford, New York and Washington D.C.

Lachman expected that the problem of over-building will not extend into the 1990s, but that developers and lenders must realize that demand for new real estate is lower than it was earlier in the 1980s and that new demand will be more modest in the next decade. Office employment from now through 1995 will grow at half the rate it had in the early 1980s. Consequent reductions in construction volumes would effect the formation of new urban policies. Lachman stated that linkage programs, for example, will not generate as much activity over the next decade. Reduced construction volumes coupled with diminishing demand for new construction would cause investors to channel more money toward the acquisition of existing properties. This would inevitably drive prices up and yields down.

Lachman differentiated between "investment grade" properties and all others, and identified a three-tiered investment market. The top 25 percent of commercial properties are the "highest quality, best leased that trade in the national institutional marketplace." Buyers of these top-flight properties accept lower profit yields and pay higher prices due to increased demand from domestic and foreign investors. The second tier consists of "average buildings" which make up about half of the commercial inventory. These buildings are holding their values without any significant appreciation. The bottom 25 percent of the commercial inventory is in serious trouble.

Lachman pointed out that the ownership profile of America's commercial real estate is changing dramatically. In her view, throughout the 1990s there will be a trend toward the "institutionalization of the best properties." As a result, assessed property values will increase and higher prices will be paid. Owners will get lower yields on their buildings and be sensitive to cost increases including property taxes. This is true only for the top quality properties. But the remaining properties will still be owned or managed by individual entrepreneurs or smaller companies.

Lachman identified five major real estate trends of the 1990s; all of which will be favorable for central cities. First, demand for "investment grade" properties will remain strong in most downtowns. This would keep the tax base up and further increase downtown land values even though construction volumes will be significantly less than the 1980s. In-

Central cities will again be favored by employers because of accessibility and the proximity of entry level workers.

stitutional and foreign investors will continue to buy top quality office buildings, industrial property, hotels, well-anchored retail and middle- and upper-income apartment projects. The larger, better-established investors will play a larger role in central city real estate markets.

The second trend will be the middle-aging of the American population. This will have a significant impact on central cities. Many adult households will prefer to live where they are close to work and play. The amenities that central city locations offer will be enticing. Generally, the older households without children will be more likely to stay in the city. These households have higher disposable incomes and will spend more on restaurants, cultural activities, and retail.

The third trend, according to Lachman, will be the tightening of the labor market that cities will experience through the 1990s. The Census Bureau projected a 14 percent decline in 15 to 24 year olds between 1985 and 1995. This fact combined with the rise of people eligible for retirement will make employers compete for qualified workers. As a result, early retirement may not be encouraged and less restrictive immigration laws may be established by the mid-1990s. This third trend will be a boon to central cities because less qualified workers will be needed to fill entry level positions and employers will have to ignore the poor educational background of these workers. Central cities will again be favored by employers because of accessibility and the proximity of entry level workers.

Lachman pointed out that a tight labor market will have three principle effects. First, wages will increase, primarily in construction and building maintenance, which rely on entry level workers. Second, office demand will continue to decrease through the decade. Third, tenants will demand more extensive amenities in the work place, such as day care, better transportation, shopping, dining and recreational facilities. Lachman suggested "that job retention and job creation are the single most important activities to maintain central-city vitality."

The fourth trend will be extensive control over development at the state and local levels. The regulatory environment will get tougher as a more mature population rebels against traffic congestion, ground water pollution, removal of open space, quality of public services and other issues that may compromise the quality of life. The time and cost of development will rise due to the limiting of new construction. Consequently, rents and prices will rise. Boston, New York City and some California cities have become particularly expensive places to live and work due to development constraints. Other cities will adopt similar development controls over the next decade. Lachman cautioned that cities may erode their economic bases due to excessive regulations and cited controls in San Francisco as a prime example.

The fifth trend is a continuation of what was experienced throughout the 1980s, the development patterns of the 1990s will not change dramatically but overall growth will be slower. Population growth will continue to be strongest in California, Texas and Florida. The Northeast will continue to do well in the 1990s but attention will be focused on America's heartland. Lachman predicted a streamlining of older industries that would revive the Midwest. Although, it would not be a complete turn around, many

There "will be a confluence of rising expectations and diminishing results" regarding the possibility of achieving social goals through the existing land use control system.

midwestern cities would benefit from increased export production.

Lachman also forecast continued growth in central cities in the 1990s, as they ride the momentum of this decade. Domestic as well as foreign investors will continue to put more money into the revival of many downtowns. This will bolster restaurants, retailers, newsstands, drugstores and fast food operators who will gain a more captive market. In the 1990s, cities will add more tourist attractions and further expansion of "flagship" retail stores that left downtowns in favor of suburban malls in the 1970s.

Lachman displayed optimism for central cites, and pointed out that "the social and infrastructure issues are clearly the difficult ones, but the outlook for central cities is by no means bleak." She suggested that urban policy makers in the 1990s will have to recognize the trends of the next decade and build workable policies to integrate more people into the work force and channel further development within the cities.

Jerold Kayden: Land Use Controls in the 1990s

Jerold Kayden amplified and elaborated on Lachman's reference to difficult social and infrastructure issues. His emphasis on who pays and who plans and designs raised issues of fairness and feasibility.

The first issue that Kayden described is the overloading of the land use control system. For historical perspective, he delineated two types of land use controls: the first involving "use controls, shape controls, and bulk controls" which he said had been criticized as being negative, static, and Euclidian; and the second, a form of reaction to the first, Social Zoning, which employed variances, exceptions, linkage and incentive zoning to achieve social goals: housing, day care, cultural facilities, income redistribution and jobs.

Kayden said that in the nineties there "will be a confluence of rising expectations and diminishing results" regarding the possibility of achieving these social goals through the existing land use control system. Kayden stated that, "Even in the best of times, the boom times, the amount of money actually generated through linkage, for example, to solve or even begin to solve the affordable housing problem is minuscule... How about the worst of times? ... in which case the anticipated small revenues already are going to be even less." Kayden predicted that there would be "a growing cynicism of the people who want these social objectives to be achieved." Kayden further noted that, "if there is more and more social stuff put on development, there will be a revolt of that very small... tax base of people."

The second trend which Kayden predicted for the 1990s was, "the remarriage of capital infrastructure spending and land use planning" to deal with the major traffic, sewer, and water problems. He then outlined two current strategies: asking the developers to pay and putting a moratorium on growth. Mr. Kayden said that the limitations of asking the developers to pay is that, in his opinion, it is not a method which has a broad enough base to generate enough capital to solve the problems. He also stated that it would be unfair to expect only the new developers to pay because development is responsible for creating the demand on infrastructure systems.

There is great difficulty in finding regional solutions in which the sacrifices a community makes are commensurately balanced with the benefits received in that same locale.

The problem with placing a moratorium on growth is that population growth cannot be prevented. A moratorium would lead to the redirection of growth and the possible denial of the benefits of growth to those with low incomes. According to Kayden, these ineffective current strategies will result in the resurgence of large-scale public financing of infrastructure.

Kayden identified a third trend for the 1990s as the increasing use of interjurisdictional programs. He distinguished this from regional planning, which he thought would be impossible because of the individual strength of small towns, suburbs and communities. Due to this "Balkanization of America," Kayden envisioned that innovative programs would arise to deal with regional problems. He spoke of the Mount Laurel issue in New Jersey, where suburban communities and growing areas had a responsibility to provide a fair share of the region's low and moderate income housing needs. There had been a proposal for a "transfer of obligation" program, where communities would have the option of substituting money for their regional responsibilities. Kayden thought that there would be important ramifications of this trend, including the relations of neighborhoods within the cities.

Kayden's fourth prediction was an increase in judicial intervention to determine the rights of land owners and the rights of land use regulators. He mentioned that two recent Supreme Court cases have already had an impact on development rights. The first requires government to demonstrate "a substantial relationship between activities of [the] developer and the burden that he or she is being asked to address." In other words, obligations must be "proportionally" imposed. The second case requires just compensation for damage incurred by the land holder due to land use regulations. All this activity will lead, according to Kayden, to "a new notion of what creates value anyway... Is it labor?... or is it public investment? Social investment?"

The final trend which Kayden predicted was that there would be a retooling of traditional land use controls. He gave examples of zoning practices which have been recently introduced, revived, or proposed: discretionary zoning, mixed use zoning, the utility of plans, special manufacturing districts, and the trading of development rights. He projected a return to strong zoning that attempts "to translate the vision of the city into what is a quite powerful mechanism."

Urban Planning Visions

The panel on "Planning Visions: Past, Present and Future," spoke of Boston's past, present, and future planning. Charles Redmon, President of the Boston Society of Architects, recounted the great visions of other times and places; the canals of Venice, the piazzas and fountains of Rome, the avenues and vistas of Paris, the hills and bays of San Francisco, the brick walks and buildings of Boston.

Alex Krieger focused on past visions of Boston and the people who created the visions, the challenge of a tiny peninsula of land held together by tidal flats and mudflats; the levelling of the hills of "Tremont" and the filling in of Back Bay and South Cove, the failed inner belt of the 1960s, and the historic vision of Kevin Lynch.

Eric Schmidt assessed "Boston Present." Since in 1984, the City of Boston's planning agenda has included five major elements. The first element was a

The Boston Visions competition brings attention to areas in the city that represent both future development possibilities and urban issues of concern.

plan to manage growth, including the new community-based planning process and a new zoning strategy which returned height controls to the city for the first time since 1965. The second element was "to implement a neighborhood planning process ... and to establish a community plan for each" neighborhood. The Harborpark Plan was the third. It would "reunite Boston's waterfront commerce with public waterfront access." Fourth, some special areas of the city, including the Charlestown Navy Yard, would have district master plans. The fifth and last part of the new approach was a plan for the downtown area drawn from eleven special study areas.

Underlying these five planning elements, Schmidt observed, were two sets of principles:

> a social contract with the neighborhoods, that advocated a bottom-up planning process, social and economic justice for all citizens through affordable housing and the job linkage programs; and a physical planning process, including the preservation of Boston's unique civic character, and protection of Boston's open space and park systems.

According to Schmidt, this development and planning context provides designers with the opportunity to shape the future city, and to encourage responsible growth that accommodates new workplaces, new

Commentary

Edward Logue

The former B.R.A. Director suggests new efforts to plan the city he helped shape

The cooperation of Mayor Flynn, the BRA, and the BSA in promoting the Boston Visions competition is a healthy recognition that such important matters as the look and feel of a city are best done on a shared partnership basis. The wide-open nature of the competition will produce some inspired suggestions and, equally importantly, a marvelous educational experience for all of us. I can think of about 100 cities which could benefit from doing the same thing, starting with New York.

Leave Storrow Drive alone. If you're not foolish enough to use it in the rush hour, it is one of the most beautiful drives in the world. As the crowds using it every weekend testify, the drive is not a barrier to get to the Esplanade.

Get the facts straight: the "high spine" has never been a part of Boston's actual planning and development. From the balcony of the JFK library, looking back at the city you can see it is true. Maybe it is time we tried it out now, to fill in some of the gaps.

Some candidates for the "open" category of the competition:

Roxbury needs a new Town Hall as a forum center, to air the concerns of the community. The First Parish Church in Eliot Square would be an ideal candidate.

Figure out where else to put the tractor trailers that now dominate Allston Landing.

The Fan Piers need a fresh start, beginning with transportation.

How about a mini-Government Center on Parcel 18 to prime the pump?

A new neighborhood-based plan for the renewal of Dudley Square.

Cities need public and private 'meeting grounds, civic living rooms where people can come together and share in celebration, in concern; where all kinds of creative energy and things happen."

housing, improved transportation systems, and urban amenities such as parks and harbor access.

Steve Cecil argued that a grand vision of the "heroic city that celebrates the success of the market economy" lacks broad consensus and would not be appropriate for a city such as Boston. He described a contrary vision that "pictures a vast, confusing sort of rotting city," marked by disinvestment. His conclusion was that neither popular vision, as expressed in fiction and film, suits Boston. The Boston Visions project seeks ideas that link Boston's history to its future.

The Boston Visions "challenge" is a design competition which challenges architects, urban designers, landscape architects and artists throughout the U.S. to create new visions for Boston's future development. The competition brings attention to areas in the city that represent both future development possibilities and urban issues of concern ... such as high quality affordable housing, improved transportation, open space, civic beauty, and preservation of the city's historic legacy.

The competition encourages the entrants to focus on one of three demonstration sites: (1) new connections between the Charles River and the four neighborhoods along its banks; (2) building on the infrastructure of the downtown area, particularly in relation to transportation arteries and air rights; (3) Boston's boulevards with emphasis on linking Washington Street in Roxbury physically and culturally to the downtown. The competition has an open category.

As Homer Russell described Boston Visions, "it is an ambitious attempt to respect the existing character of this 350-year-old city, to repair its broken seams, to correct past planning mistakes ... , and to link areas of the city together once again." The competition seeks neither futuristic plans nor sweeping changes, but ideas that "are compatible with the needs of all Boston citizens and with the city's fundamental historic nature and pedestrian scale." Boston Visions will not take the place of the planning process, but will "generate ideas from people all over the country ... who can take a fresh look at some of these issues and then put these ideas before each and every one of these public planning groups."

Panelists and audience members offered a variety of comments on urban planning visions in Boston. David Dixon noted that Boston has "an opportunity to build a social agenda, a physical vision that for the Boston region that addresses the issue of managing growth for" widespread economic gain. Elizabeth Padjen urged urban designers to extend their visions to the entire Boston metropolitan area and its flows of workers, goods, and services across the artificial boundaries of cities and towns.

David Lee stressed the need in design for "clarity of purpose, clarity of plan, and clarity of response." He called for plans that are exciting from physical, political, economic and spiritual standpoints.

Lee and others emphasized the concept of "meeting grounds" in cities, that is, public or private meeting places, "civic living rooms where people can come together and share in celebration, in concern; ... [where] all kinds of creative energy and things happen". Designs for such meeting grounds refer to a less complex city of yesteryear, but when combined with tomorrow's needs of residents, nonresident workers, tourists, and other visitors, offer a framework for the design of liveable cities of the future.

Commentary

Charles Redmon

The President of the BSA urges us towards visionary planning before it is too late

The impact and power of good ideas can be great. Although not immediately felt, good ideas can lay the seeds for great things to come. Today Boston is at the cross roads of its future, largely because of its current prosperity and also because of its shortcomings in connecting that prosperity to all. The time is right to forecast a new Grand Vision of the future of our city consistent with the great plans and dreams that helped to shape our past. We need a bold new vision for our future generations to strive for; it must be a plan of a humane and beautiful city that is shaped by our hopes and dreams.

A vision is about more than image, social philosophy, or infrastructure. It is fundamentally about the empowerment to manage resources for public benefit. Such a vision is a master plan or framework which projects the city as a whole based upon common goals and standards. It must be a plan for real people and real neighborhoods and public spaces. It must portray a physical vision for the Boston region designed to manage growth to achieve a preferred future outcome: a balanced social, political and physical agenda. It must touch all aspects of the city and region much as current B.R.A. planning efforts attempt to deal with the Harbor, the Downtown, the Neighborhoods, and opportunity areas such as the Naval Yard, Fort Point Channel and so on. However, where the B.R.A. plan falls short is that it lacks a comprehensive vision of Boston to link these separate districts together.

What is needed is a common road map based upon a shared view pointing to where we all want to be going. It must be based upon a covenant between political, social, cultural and business leaders and the people. It also must produce an exciting journey from the standpoint of each of these interest groups, and it should be the best we can attain because it stretches our collective sights to their highest. It must represent a public framework to provide equal opportunity in enhancing the physical environment, both natural and manmade. In short, it must have a soul.

Such a view based upon common values, a consensus of common purpose, will be able to guide each future decision we make affecting change in our physical environment. The Boston Society of Architects through its Civic Design Agenda offers such a value system in the form a bill of Civic Design Rights framed to protect every citizen's right to a livable environment. It stresses planned growth to provide equal economic opportunity, livability through strong and viable neighborhoods, community meeting grounds with equal access to all, civic beauty through public stewardship of the built environment, and a lasting legacy through preservation of our built and natural heritage.

This vision of our preferred future should be simple and clear; it should be easy to articulate and visible to all. Its content should be able to de-emphasize our differences and stress the things we have in common. It should focus upon the seams and places that bring people together. It should clearly express accessibility and livability by becoming our civic living room, a common place for all of us to share and celebrate our community. It should not detract from the strength and diversity of our individual neighborhoods nor common ground. An important part of our vision for the future should be to make it more pleasant to come to the city and move about. It should be manifested in the ordinary ways we experience our city; its quality of life should touch us in every way, as we move about, as a transit rider, pedestrian, commuter and visitor. It should be everpresent and it should say "Boston".

New Players in Urban Development: Minority and Community Participation

Dinner Speakers:

Kenneth Guscott, General Partner, Long Bay Management
Kenneth Wade, Coordinator, United South End Settlements

Panel Members:

Ricardo Millett, Assistant Director for Neighborhood Housing and Development, Boston Redevelopment Authority: Panel Leader
Richard Taylor, President, Taylor Properties
Chuck Turner, Director, Center for Community Action
Dolores "Dee" Primm, Planner, Frederick Harris, Inc.
Kyle McKinney, Vice President of Development, Lena Park Community Development Corporation
John Cruz, President, Cruz Construction
Joseph Feaster, Jr., President, Feaster Enterprises
Charles Grigsby, Partner, South Park Partnership
Paul Chan, Metropolitan/Columbia Plaza Venture
Pablo Calderon, Design/Housing
Larry Susskind, Professor of Planning, Massachusetts Institute of Technology
Ronald Ferguson, Associate Professor of Public Policy, John F. Kennedy School of Government, Harvard University

Real estate development is, in most communities, the primary means of capital accummulation, and therefore, the primary ingredient for social and economic change. As Federal urban programs diminished or disappeared and state and local governments took on more fiscal and social responsibilities, real estate developers and business firms became increasingly important generators of jobs and income for urban residents. The creation of property value in Boston has spread beyond the prime commercial and residential areas to neighborhoods of Boston that were typically neglected or abandoned by property owners and developers. In particular, the city's people of color, residing primarily in Roxbury and Dorchester, in recent years have worked to create property value, to claim value for the residents, and to avoid displacement from their neighborhoods.

The "New Players" in this struggle are neighborhood councils, with their advisory role in the development process, and minority, community-based developers. This session, which began with Tuesday night dinner speakers and continued with a panel discussion on Wednesday morning, brought out conflicts as well as shared goals between the new players. Panelists suggested new approaches to community participation in the development process and to the creation and distribution of value neighborhoods. In this context, the issue of the affordable housing arose repeatedly.

Kenneth Guscott, a minority developer, and Kenneth Wade, a community activist, spoke Tuesday evening on the creation and distribution of value in the low-income neighborhoods of Roxbury and Dorchester. Their remarks highlight the current opportunities and conflicts in development in those areas.

Ken Guscott is an entrepreneur who has developed over 1,000 units of housing. He is a partner in the Metropolitan/Columbia Plaza Venture, developer of Boston's first Parcel to Parcel Linkage project totaling appoximately $400 million. Guscott related a history of initiative and self-determination in Boston's black community, including

Minority communities should be in at the start of the next presidential administration, helping to determine urban housing policy.

Marcus Garvey's Freedom Hall and Booker T. Washington's National Business League office, and the Boston Progressive Credit Union. Guscott noted "failed public policy" of years past that, despite good intentions, "de-gentrified" parts of Boston. Urban programs in the 1960s were rehabilitating housing bought from a mixed population, then "Warehousing the poor" in these homes. Guscott argued that we need more than "just bricks and mortar" in public policy: we need to build a community, "we need liveability" with households of all income levels.

Banding Together

Guscott and minority entrepreneurs formed the Minority Developers Association to build a stronger presence in the city. Other minority group initiatives of late include the creation and growth of community development corporations, some of which have been successful in leading local development with community participation.

Beyond those initiatives, Mr. Guscott urged the minority communities to "be in at the start" of the next presidential administration, "helping to determine urban housing policy." On the local level, he advised the community to pool its capital and "to look at mergers and acquisitions" and joint ventures as a way to qualify for and obtain designation as developers of large projects that would "pass on the benefit... to the total community." Guscott explained that in the Parcel to Parcel Linkage Asociates project, which merged the Asian, Hispanic and black communities, we "found out that, almost overnight, we could raise $2 million as equity capital to go back to the BRA and say we're here and we're serious."

Regarding community benefits, Mr. Guscott praised minority set-asides which he considered based on examples of developers sharing profits with community organizations, hiring people from the community and using local minority subcontractors. Guscott found that "86 percent of our workforce are minorities and from the community including our subcontractors... and over 70 percent of the money in our mortgage is revolved back into the Roxbury and Dorchester communities."

Kenneth Wade, coordinator of housing and neighborhood development at United South End Settlements and chairperson of the Roxbury Neighborhood Council, spoke on the role of neighborhood councils in the development process. In order to avoid economic segregation in publicly-supported residential developments, neighborhood councils advocate a mix of housing units that accommodate a range of income levels. In addition, city project guidelines that call for low-income, moderate-income, and market-rate housing units, ensure that a developer "could get a substantial amount of money for units in the market that could help underwrite some of the costs of affordability" for lower income residents.

In the South End, the neighborhood proposed guidelines where one-third of the units were built for low income residents, one-third for moderate-income residents, and one-third for market-rate individuals, building "a natural mix within a project." This mix would promote better maintenance in the project; Wade said: instead of "a guaranteed stream of income from the public sector "with a group of tenants who had no other housing opportunities, the developer would have to continue to satisfy the

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market-rate tenants. As in any other market situation, noted Wade, "the rate of return is not fixed." Commenting that "affordable housing in Boston costs as much as market rate housing in other cities' less inflated markets, Wade observed that in Boston, people who are eligible for affordable housing are not simply those "who essentially operate at the public assistance level." Low- and moderate-income units can encompass a range of incomes.

Wade went on to discuss community review of development, contending that "everytime community activists have participated in the (development process) the product has improved because of it." He explained that the Roxbury Interim Planning Overlay District (IPOD) process, which Mr. Guscott found frustrating, is an effort to "fashion a set of controls... over development activity", especially on private land. Of the vacant land in Roxbury, more than half is privately owned.

Mr. Wade concluded by praising the establishment of the Minority Developer Association as "much-needed, and refreshing." The neighborhood council sees the association as important, because Roxbury needs "a strong and thriving business community" to achieve overall development.

Local Governments and Development

Panel leader Ricardo Millett introduced the Wednesday morning session by stating one of the Roundtable's main themes and its context in Boston. The Federal government has ignored the nation's urban population, Millett maintained, and especially the citizens in poverty. Their needs, said Millett, have been left "to be met by the private economy and the actions of those few state and local governments with the imagination and will to try to fill the shoes of the Federal government."

New England, and particularly Boston, have been fortunate to have experienced economic growth and prosperity. Millett noted that public and private investment in Boston have amounted to "$7 billion ... over the last nine years, including over $3 billion in the downtown since 1984." Yet, Boston's minority residents "have not gotten their fair share of these goods and benefits and the status that is related to them," said Millett. The BRA, with the intention of reversing the effects of "underrepresentation of nonwhites in the prosperous downtown economy," passed a resolution to establish Parcel to Parcel Linkage program. The program was based on three findings:

(1) minorities are underrepresented in jobs, contracting, and procurement in the downtown economy;

(2) remedies to date indicate that a 30 percent setaside for minorities would be a reasonable remedial action;

(3) A program to foster minority economic participation in privately financed downtown development was reasonable, supported by law and consistent with the Minority Business Enterprise programs.

In addition, Millett cited the persistently low median income of minorities, the scarcity of minority-owned business enterprises in the city, and the paucity of board memberships in the city's powerful businesses and institutions as evidence of the low participation of minorities in Boston's economy.

"Today, many of the developers who are doing projects in the minority neighborhoods of Boston live or work in the communities in which they build, and have an interest in ensuring that a development benefits both the developer and the community."

Millett described the City of Boston's minority programs and policies since 1984, which include: Parcel to Parcel Linkage; the selection preference given to minority-owned business enterprises, community development corporations and nonprofit organizations in the development guidelines issued by the BRA and other city agencies; the Mayor's Executive Order "Encouraging Minority Business Enterprise," designed to ensure minority participation in the city's contracting process; the Boston Residents Job Policy; the Boston Employment Commission; and the minority business development executive order requiring public bodies to award a share of contracts to minority firms.

Community Participation

Millett went on to suggest a theme for discussion, observing that a tension exists between community activists' desire for more power and control in the development process and new minority developers who claim identification and concern for their communities. "As more development has occurred in neighborhoods, the phenomenon of community participation ... has assumed a greater role in the development review process," Millett said. "Today, many of the developers who are doing projects in [the minority neighborhoods of Boston] live or work in the communities in which they build and have an interest in ensuring that a development project benefits both the developer and the community."

Commenting on the Boston experience in recent years, Millett related that community residents have significant input in formulating development guidelines and the project review process. While neighborhood councils are advisory in nature, he said, they play a significant role in determining which projects can go forward in their respective communities, "to the dismay and disappointment and sometimes frustration of the minority developers themselves."

Developer Richard Taylor expressed some of that frustration in speaking to the future of Roxbury, the center of Boston's minority community. Taylor said he sees signs that Roxbury "is beginning to take its rightful place in the city," but that it "has not stated unequivocally which direction it will take." The hiring programs instituted by several private companies, the growth of a minority-owned lending institution, and the strengthening of the community's newspaper are indicators of Roxbury's growing presence in Boston.

Yet, Taylor saw "conflicting signals that are being tolerated and that distract the community from its mission." Taylor said that these distractions include an anti-development sentiment in the Roxbury community. Taylor contended that lawsuits brought by community groups against development projects in Roxbury, and the proposed secession of Roxbury from the City of Boston are counter-productive to community objectives.

Taylor argued that Roxbury has "excellent representation" in the City administration and recommended that the community "spend more time organizing the electorate," to register voters and concentrate on placing minorities in positions of power. Taylor also recommended that the Roxbury Neighborhood Council defer to small, project-by-project review committees for deciding disposition of land in the neighborhood.

Increased community control is a public policy tool that could bring about development, balancing the interests of the people in the community with the interests of the people in the city and the region.

Regarding affordable housing, Taylor said neighborhood councils were insisting on 75 percent affordability in projects on city land; he contended that this would mean that "no housing will be built." He recommended that the Roxbury Neighborhood Council, rather than seek more control over development, change its role to find and assist qualified buyers for affordable housing; help developers identify the potential homebuyers; start savings plans; and help obtain city and state resources for construction of affordable housing. Taylor concluded by citing several development projects that "plowed back" money into the community, and listed Roxbury's many positive developments in recent years.

Chuck Turner, community activist and member of the Roxbury Neighborhood Council, spoke for those who seek a more powerful development role for neighborhood councils. Turner is working with other neighborhoods to develop "a city ordinance that would give neighborhoods authority to control, through elected councils, policies affecting the disposition of public land as well as the decisions on zoning variances." Turner stated that "the conflict over land that is now going on in our large urban centers" reveals a "major flaw" because residents are limited to an advisory role in land use decision making."

Turner claimed that Roxbury's vacant land is one of the city's most valuable resources: " 85 percent of the land available for housing development in Boston is located in Roxbury; ... the neighborhood has 10 million square feet of cleared land ... and approximately half of that land is owned by the city." Turner said the community is concerned over "who will receive the benefits of the development of the land?" He noted that Boston's South End redevelopment has been physically successful, but market forces drove the majority of black, Hispanic and Middle Eastern residents out of that neighborhood.

Turner argued that market forces need not control development. He described increased community control as a public policy tool that could bring about development, balancing the interests of the people in the community with the interests of the people in the city and the region. Citing the divergent interests of developers of color and community residents, Turner added that "the presence of minority developers in the process does not lessen the need for community authority."

Community Input to the Southwest Corridor

One example of successful community participation in Boston is the Southwest Corridor Project, a $550 million relocation of transit lines. Dee Primm reviewed the history of public participation in this effort. In 1974, the Southwest Corridor Land Development Coalition and government agencies worked out a memorandum of understanding that set a framework for the project and created neighborhood committees along the five-mile corridor. Station area task forces also took part in the process.

Parcel 18, the site of major new development, is subject to a memorandum of agreement which was drawn up and negotiated by community groups and State and City officials. The Coalition also helped to create a Community Development Finance Corporation. Primm observed that community benefits from the Southwest Corridor included over $72 million to minority contractors, an educational training

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program, parkland maintenance contracts with local residents, and creation of 16 retail spaces near the stations that would be leased to community entrepreneurs.

Kyle McKinney continued the theme of how to elicit community benefits from development, citing "positive steps for the Roxbury community [that] have ... and will come from real estate development." McKinney explained that new capital in the area and higher property values can bring benefits to the community. He added that an "important step is to bring that capital into the community and utilize it and see that it circulates in the community." This includes using community-based professionals and construction workers and providing neighborhood "benefits such as day care, parking... recreation programs for youth ... and job programs," said McKinney. He suggested that developers should recognize that providing such benefits "helps stabilize... [and] increase the long-term value of the property." McKinney would like to see "influence and advocacy on the part of developers" with respect to policy-makers and decision-makers to build such benefits into development deals. Developers also need to work with and strengthen community groups and institutions "to bring strength to a project and the community."

Negative Influences on Opportunity

McKinney saw links between providing affordable housing and the negative influences in the community, such as drug peddling and profits. He called

Commentary

Marty Nolan

Boston must retain its special political flavor

Marty Nolan, editorial page editor for The Boston Globe, commented in the Wednesday wrap-up session that America is turning back to the middle of the road; "no matter who is elected president, we'll see some attention paid" to serious problems. Because of this, Nolan said he sees "the 1990s as a more hopeful time." While cities have faced "shocking" Federal disinvestment in the 1980s, Nolan considers it "nothing compared to the 1950s when the Federal government subsidized the move to suburbia, built a highway system, [and] redlined whole urban neighborhoods."

While Nolan was optimistic about cities' economic and social future, he was less so about Boston's prospects of maintaining its character of history and rich political tradition. Downtown prosperity has brought a large group of newcomers less concerned with local politics and culture than previous residents, and Nolan said he fears the city will lose what he calls its "Mecca and Medina:" the timeless qualities of history, urban life and fabric that make Boston unique and important beyond its current economic status. The quality he most treasures is Boston's rich tradition of politics.

"We need flexibility in the development codes and ways to expedite the processing and approvals of permits."

for "incentives for families" in welfare policy to promote two-parent households, and the creation of homeownership opportunities. McKinney proposed that, instead of selling public land for $1 to a developer, "we attach a value to that land, say $5,000 to $10,000 and place that value into a fund that would come back to a purchaser, perhaps provide a second mortgage, ... so that he or she can make that downpayment and purchase a home." In addition, said McKinney, "we can look to cooperatives and other creative structures to lock in that appreciation [of property] and keep it in the community." He added that the Massachusetts Housing Finance Agency (MFHA) should treat Section 8 certificate holders the same way it treats market holders in terms of bonding rates.

Pablo Calderon commented on a "built-in conflict around the issue of affordable housing:" new MFHA bonding rules now requiring an 8.5 percent downpayment, up from 5.5 percent, create problems for potential homeowners. He suggested this be addressed, and that the City and State should put more money into educating potential homebuyers on how to participate in affordable housing programs.

Calderon contended that "it is questionable whether truly affordable housing can be built in Boston today." Multiple public goals in housing creation, including "the participation of minority contractors ... [and] union contractors, payment of prevailing wages, and the Boston Residents Jobs Policy" raise the cost of construction. Calderon argued that "if all these goals are to be met, affordability will continue to be sacrificed unless public funds or subsidies are provided to cover the higher costs of construction." He added that small private developers and CDCs do not have access to public funds if project costs exceed estimated costs. Calderon also considered public processing requirements burdensome. "We need ... flexibility in the development codes and ways to expedite the processing and approvals of permits," said Calderon. "These delays add to the cost of affordable housing," as do local government fees.

Building Minority Businesses

Calderon's remarks that local and minority participation in housing development conflicts with the goal of affordability were followed by John Cruz' observation that such participation was critical to Roxbury's future. Cruz, president of a construction and development firm, observed that the minority community has "had a wealth ... of social activist groups [and] nonprofits," but that more emphasis should be placed on entrepreneurs. Cruz argued that if local business owners could have a larger role in the creation of jobs and more control of equity and land, then the community could have a greater impact on City Hall. The MBE requirements on construction projects such as the Southwest Corridor have had "a major impact on the economic growth of a lot of minorities in Boston."

Cruz contended that the Roxbury community "depends too much on nonprofit [and] community development groups" whose social roles are less important today than one or two decades ago. Cruz suggested that increasing the number of "sensitive minority businesses working in the community" would be "the fastest way to rid ourselves of some of the ills" that are present in Roxbury. For example, the money from the Boston Housing Partnership that was used for 1,000 housing units built by nonprofits

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could have been used to support minority entrepreneurs, to "create another 10 or 12 businesses." He warned also that over-processing and over-emphasis on affordability will drive minority developers to work outside of Roxbury, where they will find "less risk and less time" in the development process.

Cruz offered advice to Roxbury: "to build up the community, you need to have some very successful minority businesses employing people, [and] giving money back to the community." He doubted that Roxbury could reach current housing affordability goals "without a massive subsidy," and such funds are not available from either Boston or the Federal government. Cruz recommended that Roxbury rely on public/private partnerships and "up and coming" minority people who are willing to buy homes in the community. Those potential minority homeowners have the jobs and income to live in the market rate homes and would "be more politically inclined to make City Hall respond to their needs." With protection of Roxbury's large low-income housing stock, and a smaller affordable housing goal, Cruz predicted that the minority community could see "healthy economic growth of Roxbury without mass gentrification of anybody."

Seizing Current Opportunities

Joseph Feaster offered four themes for the New Players session: objectives and opportunities, control and power, education, and current policy initiatives. He noted that the "flawed public initiatives, disinvestment, and distrust" of the past were the seeds of current discord and controversy. Feaster observed that minority developers and the Roxbury community share an objective: "to better the quality of life for all persons in the community." While the opportunities for development are bringing "new players ... into the game," Feaster argued that the opportunities may last for a short period of time and that discussions of control and power "impede the process" of minority development in Roxbury.

Regarding the housing affordability issue, Feaster questioned if homeownership was "realistic in the community under the present finance and market conditions?" Affordable housing programs based on selling a proportion of units at high market rates presume "a high market interest" that Feaster suggested may not exist for Roxbury.

Feaster called for the community to encourage potential homeowners through education about the home-owning opportunities ahead. He concluded by recommending that, instead of "relying on the political goodwill" of current City and State officials, the community must work to "institutionalize" Parcel to Parcel Linkage, and other programs to ensure minority development opportunities continue beyond the present Administration.

Chuck Grigsby, explaining that public policies have much to do with the accumulation and movement of wealth, expanded on the notion that minorities now have a window of opportunity. Grigsby offered the opinion that "the development of real estate offers the opportunity for Roxbury, and therefore the minority citizens in Roxbury, to have the best jump start at the creation of substantial wealth than any other time in the history of this city." He recommended joint ventures, with non-profits, other minority developers or majority firms, to take advantage of management skills and equity, which

Minority firms should seek joint ventures, with non-profits, other minority developers or majority firms, to take advantage of management skills and equity, which are both scarce.

are both scarce. Asking "what the community ought to expect out of a project," Grigsby suggested that community benefits of a small real estate project may be quite limited, and that substantial community benefits require deeper subsidies.

As a third point, Grigsby called for a national industrial policy to create better-paying jobs for minority residents "to enable them to save the capital to buy the house ... from the minority developer." He explained that, without enough income and transferable wealth in the community, the housing programs and minority businesses would not reach their potential.

Paul Chan related the process of the first Parcel to Parcel Linkage project. The consortium of community investors formed a joint venture with Metropolitan Structures, a national real estate department entity. The precedent-setting features of the project include the fact that "the local minority developer and the national developer are equal partners", said Chan. The community benefits package is centered on "the allocation of certain project revenues to a community development fund, controlled by a trust, used to fund a variety of community programs." This fund could generate as much as $40 million over 15 to 20 years.

More Democratic Planning System

Larry Susskind focused on public participation in government decision-making. Susskind argued that "our representative democratic system does not resolve legitimate disputes over policy standards and the allocation of public resources" fairly, efficiently, and wisely. He noted that "the courts were never meant to be used to resolve those legitimate differences between groups with different concerns and priorities." Mere advisory roles for neighborhoods are insufficient in his view.

Susskind presented a vision of "a system of neighborhood governments that would supplement, not replace, the traditional system of representative democracy." Each neighborhood would have a board whose members would be appointed by their respective community organizations and elected at large from the neighborhood. Each board would hire a professional staff, paid by the city.

Susskind suggested the neighborhood boards would be "managing the process of development at the city level." The boards "would have to approve any departure from the existing detailed citywide plan," eliminating the central zoning appeals process. This strategic city plan would be revised and approved by all of the boards, negotiating with each other to set priorities and implement development. The boards would handle all local linkage cases and would carry out capital improvements from the city's capital budget. In addition, the boards would mediate disputes within their own neighborhoods.

Susskind pointed to examples in the United States, notably Honolulu, and abroad where cities have elected neighborhood boards. He argued that Boston's neighborhood councils, hearings, and advisory committees are insufficient means of involvement for the city's residents.

Ronald Ferguson distinguished between creating value and claiming value in neighborhoods. Developers, he said, tend to think of neighborhood development to be "mainly a struggle over claiming value without thinking about the ... potential neighborhood role in creating value." Likewise, the neigh-

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borhood activists tend to focus on "claiming value and claiming influence" over development decisions.

Feasible Options

Ferguson argued that legitimate differences in interest and political philosophy need to be negotiated within the set of feasible options. This would require determination of issues such as: how much of Boston's vacant space would be needed to house the existing low income population; how much would be necessary in order to house a mix of incomes; and would it be realistic to start with a heavier emphasis on low-income housing and move toward more middle-income housing.

Ferguson commented on the Federal role in local development. In his view, "the basic Federal role is to give incentives" that buttress the "local will to involve citizens in the development process." The Federal government needs "to provide technical assistance and some capacity for technology transfer across cities." In addition, the Federal government needs "to do a lot of cheerleading and socializing to convince people that it really is possible and desirable to involve local groups, [and that] local groups really can create value in a number of ways if you get them involved."

Pablo Calderon suggested "a broader vision for the community" that might include a lower acceptable level of housing affordability. That is, given a vision of a sustainable future for the community, the share of new housing devoted to low- and moderate-income households might be less than the 75 percent advocated by the Roxbury Neighborhood Council.

Martella Wilson-Taylor asked if Boston had a model similar to Bridge, a non-profit development group in San Francisco described by Don Terner in a Monday morning Roundtable session. Pablo Calderon mentioned the thirty-four community development corporations in Massachusetts and suggested that communities do not need new models, but need to organize the community and "make sure that those CDCs are reflecting the needs of the community, not what the Request for Proposals are looking for."

Larry Susskind described Don Terner's concept of co-equity. A private developer could take on a not-for-profit partner for a market-oriented development and "operate on some kind of equity sharing basis." After the sale of the project, the non-profit could subsidize individuals or another piece of property. "This is the 'creating value' idea that Ron [Ferguson] was referring to," said Susskind, adding that the state could run a co-equity program. "Find an individual who wants to buy a house" but cannot afford it, Susskind suggested; "Give them some money [to] go into the marketplace."

He explained that the state would own part of the value of the property and "when it is sold, the co-equity portion comes back to the public funds, and is used to finance individuals to go into the market again."

Commentary

Rosaria Salerno

A Boston City Councillor links the messages of the Roundtable and the Democratic Platform

The message of the Boston Economic Policy Roundtable was loud and clear: the future is now, with both its dangers and its opportunities. Our economy has already transformed, and with it our family structure, our workplace, our every definitions of wealth and poverty. Meanwhile, under the Reagan administration, our public commitments have dwindled away: have failed the next generation while abandoning the elderly, have failed the middle class as well as walking away from the poor.

Now, we as Democrats, as city officials and as national policymakers have a chance to restore the guarantees of life, liberty and the pursuit of happiness that were this country's first public policy, in the Declaration of Independence.

Boston is a microcosm of both the problems and the promise of urban America. It has concentrated wealth in its booming downtown, and with its unique role in the financial services, medical, and communication fields, it has the happy prospect of even more growth. Yet the percentage of families living below the poverty line is growing, and the challenge remains to draw that wealth centrifugally into the city's neighborhoods. This phantasm known as "the market" should not determine who may have housing and who may not, who may have health care and who may not, whose children may be educated and cared for while their parents are working, and who may not.

With their creative policies meant to share the wealth generated here, both Boston and Massachusetts have set a significant precedents in partnerships between child care as well. Those efforts must continue and multiply across the country, as we begin again to invest in our human resources. Equally important is a minimum wage indexed to the cost of living, so that it does not lock the low end of the service economy into the limbo of the "working poor."

This job is just beginning: we must still bring the defense budget down in proportion to other spending, and face our fiscal responsibilities on the deficit openly and honestly. In addition, we must not neglect our mediating role, rather than the cops-and-robbers game where it has been hard to tell who's the cop and who's the robber. We must close the doors to the drug distribution network, instead of tolerating it while the most vulnerable members of our society are victimized and our political leadership corrupted.

The Democratic platform for 1988 is a vital public forum for these issues. It can reclaim the territory of peace and justice abandoned by the Republicans for the past eight years. It can also fulfill the Democrats' historic commitment to the nuts-and-bolts, bread-and-butter economic policies which reflect our deepest-held collective values as a nation. As Democrats and as patriots, we must agree to agree on this economic agenda, and allow our differences of belief and judgement on other issues to be embraced with it: a Declaration of Economic Interdependence which reflects our diversity as well as our unity.

Cities' Future in the National Economy

Luncheon Speakers:

Robert Kuttner, Economics Correspondent, The New Republic
Frank Levy, Professor of Public Affairs, University of Maryland at College Park

Dinner Speakers:

Lester Thurow, Dean, Sloane School of Management, Massachusetts Institute of Technology
Benjamin Chinitz, Research Director, Lincoln Institute of Land Policy

Robert Kuttner: The New Economy and the Cities

In his Monday luncheon talk, Robert Kuttner described a picture of growth, development, and prosperity in downtown Boston coupled with a widening gap in the incomes and well being of well-to-do and poorer residents. Kuttner recommended a number of policy changes, particularly at the Federal level to ameliorate the current situation, and looked to efforts of local governments like Boston to encourage, support and stimulate improvement.

In cities like Boston, public ownership of land has been used to provide some spillover to the older neighborhoods aided by programs that linked downtown developments to needed housing and job training, all with limited Federal spending. Although Boston's Mayor has attempted to channel some of the benefits of development to the less privileged of the city, the effort is very difficult in a nation that is becoming a more unequal society.

> And you see it so much more graphically in a big city than anywhere else in a society. You seek the stark contrasts of nice hotels like this one a skip and a hop away from terrible slums. The economy is of course becoming a service economy. And cities like Boston are becoming preeminently service economies. And we know that income in a service economy tends to be distributed more unequally than income in a factory economy.

He also pointed out that "A service economy has doctors, lawyers, and financial planners over here, and armies of back room clerks and nurses aides and cashiers over there, and very few bridges or ladders from the one sector to the other." Kuttner also observed

> Because of the maldistribution of income, and the widening gap between income, particularly incomes available to young people, and the cost of paying for an education, or the cost of buying a home, for the first time since the New Deal, the life prospects of an increasing number of young people are dependent on the social class and the financial well-being of their parents.

According to Kuttner, this meant that "for the first time in two generations, class lines in America seem to be really hardening. And this is nowhere more dramatic, both visibly and statistically, than in our cities."

Since 1979 the gain in real income in this country has been captured by the upper 10 percent of the income group in the population, while there was a decline in middle class real income. The incomes of young people and young families have since become more unequal. Expressed in constant dollars, in 1979 people in the top 5 percent of the income distribution earned $90,000, while those in the bottom 10 percent earned $3,500, a ratio of 26 to 1. By 1987 the ratio had widened to 40 to 1, with the top 5 percent receiving $124,000 and the bottom 10 percent $3,100.

The lopsided economy reflected by this uneven income distribution has also made it difficult for cities in many ways, producing a squeeze in rising real estate values and housing costs and an increasing need for more social and related services. The decline in Federal support in this period has only partly been

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offset by aid from the states to the cities, since the states themselves were also caught in the squeeze.

Kuttner pointed out that at the Federal level the conservative intellectuals and the economists of the administration faulted Federal categorical programs of aid to the states and cities as bureaucratic, and offered instead revenue sharing programs which were accepted. However, in time the funds allocated to these programs were cut. Next, vouchers were offered as a much better alternative since they provided the recipients with free choices. Later, vouchers were cut back as well. Accompanying the changing programs, Federal support relative to own source revenues for local governments declined from 19 cents to 11 cents per dollar.

Kuttner observed that a demand side strategy such as placing vouchers for housing in consumer hands would not be successful where shortages exist, since the market sets prices. Putting vouchers in consumer hands to meet rental costs therefore fuels rising rental prices.

> Ironically, the current affordable housing crisis may soon be intensified by the terms of earlier Federal programs which permit owners of subsidized housing developments to remove apartments from this [Section 8] umbrella and offer them to the general public at market rentals, or sell the developments, once the owners have paid off the mortgages on these projects.

To answer an immediate need, Kuttner asked that we prevent the Section 8 units from being removed and sold off. Other housing recommendations include a recognition of the role of non-profit housing construction in the past 20 years. This points to a need to stimulate the cooperation between non-profit builders and local governments to shelter the vulnerable social sector from market forces that keep bidding up housing prices.

This insulation can be strengthened, Kuttner said, by initial write downs of costs on a range of housing types, cooperatives, mutual housing developments, local non-profit and local government developments. He viewed local land banks for housing use as a promising approach to capture some of the inflated value of real estate.

Kuttner called for more general revenue sharing with the cities by the Federal government, sharing that is more reliable than in the past. He would vary these revenue streams as needs change, noting that in the real political world only programs that have dedicated taxes have managed to survive swings of political fashion. These include the Highway Trust Fund and Social Security. In the Gramm-Rudman climate the only way to support a program is to fasten onto particular taxes which belong to cities, said Kuttner

Regarding low wages and the widening dispersion of primary wages, Kuttner noted the need for public policies that would prevent or limit the current practice of draining the public till in an effort to narrow this gap. Kuttner called for an earned income credit or another plan to supplement wages paid to low income earners, but that such supplements be in a form that encourages rather than discourages work and also may be used as a substitute for the program of Aid to Families with Dependent Children (AFDC).

He feels that society should provide greater professionalization of currently underpaid jobs such as those of home care workers and day care workers. An examination of the explicit policies of other countries trying to narrow the wage spread between

The romance with the private market as a solution to everything is waning and the pendulum is swinging back to items put on the shelf over the past six years.

different occupations should be helpful in this regard. Also, while the shift to local level policies to meet urban needs has been good in the past 10 years, resources for a more productive effort are required from the Federal government.

Finally, Kuttner noted, the romance with the private market as a solution to everything is waning and the pendulum is swinging back to items put on the shelf over the past six years. The agenda of the Democrats since 1986 includes day care, health care, housing and better education, but the agenda in itself is not sufficient. A major impediment to its achievement is the Federal deficit, which, if sustained, threatens to paralyze the constructive efforts of the next president.

Kuttner therefore called for a higher level of taxes to support the country's social needs, taxes which he saids can be afforded by our society. As an example of what we could do, he noted that while we spend on social services as little as 30 percent of our national income, most of the Western European countries spend in the 40 to 50 percent range. They do so with higher savings rates than ours and higher growth in productivity.

In conclusion, Kuttner looked to governments like Boston's which with a mixture of competence, commitment and idealism at the local level can serve as the political constituency for shifts in attitudes and policies.

Frank Levy: Response to Kuttner

Frank Levy concurred with most of Kuttner's observations. Levy provided additional data regarding the levels of income and income distribution among different layers of society since World War II, the related economic and social problems, the prospective decline in labor force growth in the coming decade, and the need for better education now as a means of coping with society's current and future requirements.

Levy felt that to make progress it was necessary to overcome a general feeling built up in the last eight years that the public sector can do nothing creative about the problems in the country. In contrast, he pointed with confidence to the innovations underway in Massachusetts, and at Boston's local level, in the context of the state's strong economy. But he placed the burden of shortcomings in cities to the changes that have taken place in the national economy.

Although he found himself agreeing with Kuttner that the top 20 percent of all families receive 44 percent of all income, he noted that this layer of society had been receiving at least 40 percent of all income for many years. While the nation's income distribution has deteriorated in the past four or five years, that deterioration has not been sufficient to account for the plight of many city residents.

Levy identified three changes that he felt have caused difficulties. First was the stagnation in average wages of the past 13 years. Second, the decline in manufacturing activity and the drop in wages for men with limited education was particularly important within that context. Third was the growth of female-headed households..

Wage stagnation, he observed, has been going on since 1973, but has not been recognized until recent years. For example, the inflation-adjusted wages of men aged 40 rose about 25 percent each decade until about 1973, when the growth stopped. Today, men

While cities contain 25 percent of all families, they account for 50 percent of all female-headed households.

age 40 and over are earning only two or three percent more than they did in 1973.

Expressed in today's dollars, the middle income class grew fast between World War II and 1973, buying cars, appliances and homes as incomes rose from about $15,000 to about $30,000 and as the entire income distribution was raised to higher and higher ground. When wages stopped growing, problems emerged. Young people in cities coped with their income problems by such steps as staying single longer and not having children. They were also unable to buy a house when forming a family.

When manufacturing jobs that paid good wages to men with a high school education stopped growing, new entrants to the labor force could no longer find such jobs. The effect of their being forced to take lower paid jobs was marked. In 1973 the difference in earnings of men aged 30 with a high school education and college graduates was about 16 percent. The gap held through 1980, moving up to about 18-19 percent. Currently the gap stands at 50 percent. While the college man's wages held fairly steady at $27,000 during this period, the wages of high school men dropped from approximately $23,000 to about $17,500.

The third major problem affecting cities, said Levy, has been the growth and concentration of female-headed households in cities. Today the bottom of the income distribution is centered in female-headed households, an urban problem, whereas at the end of World War II the bottom was comprised of the elderly and farmers.

While cities contain 25 percent of all families, they account for 50 percent of all female-headed households. To complicate the problems facing cities, the proportion of America's children living in the poorest 20 percent of all families has risen from about 16 percent in the 1950s and 60s to some 25-26 percent today, reflecting the growth of female-headed households.

Some amelioration from the bad economics and demographics of the past decade is in sight, Levy predicted. Over the past decade he found that the number of workers between ages 20 and 30 grew by about 12 million, an environment in which employers could be very choosy and not hire someone with just a high school education and marginal reading skills.

But during the next 10 years Levy expects a decline by 5 million in the number of 20 and 30 year olds as the post World War II babies move beyond this age bracket. In such an environment employers will be less choosy regarding the education level of prospective employees. Also, income subsidies of the kinds Bob Kuttner talked about would become more feasible.

To meet the changed picture, Levy noted that education was a key, since any educated person would be able to get a job in the prospective labor shortage era. The trick will be to start with pre-school education, said Levy, and to convince and keep youngsters age 10-15 today from dropping out of school, so that at age 20 they will be better equipped and attractive to employers.

He concluded that "if you can somehow transform the market pressure into getting people through the system until they reach the market, you will, I think, have made a big dent on the kind of income distribution that we see here."

Of all the jobs created in America in the last ten years, 99.6 percent have been in services.

Lester Thurow: The Service Economy and the Cities

Dean Lester Thurow, one of the best known economists in the U.S., presented his view on the outlook for the services and manufacturing sectors in the context of the future of the national and international economies. He was pessimistic on the prospects for improvement in international economic cooperation and growth in the world economy.

Thurow predicted services employment will stop growing, manufacturing employment will increase by four million and the location of these new manufacturing jobs will be in exurbia proximate to the east and west coasts, for convenient access to more competitive sources of raw materials and other inputs, as well as positioning for export. This will occur despite the fact that services have accounted for most of the nation's employment growth since the 1950s, and all of the growth in the last decade; and establishment views that all of the growth in employment to the year 2000 will be in services. Services employment will stabilize as the prospective labor shortage forces improvement in productivity. Manufacturing employment will rise and production expand because it must, to cope with the nation's trade deficit.

According to Thurow, of all the jobs created in America in the last forty years, 91 percent have been in services, while of all the jobs created in America in the last twenty years, 96 percent have been in services, and of all the jobs created in the last ten years, 99.6 percent have been in services. The primary reason is that the demand for services has been growing faster than productivity in services. Furthermore, spectacular productivity growth in other sectors of the economy, agriculture, construction, and manufacturing, has been achieved with fewer workers. And demand for U.S. manufacturing and mining products is declining. Thurow stated,

> The key thing to understand about agriculture is the green revolution has worked. Last year China, India, Pakistan, and Bangladesh all fed themselves. There just isn't anyplace to sell the stuff. Also, mining is shrinking for two reasons: ... underdeveloped countries have better grades of ore than we do in the United States... but **more importantly, modern industrial economies just don't use as many mined products.**

The demand for U.S. manufactured goods is down because of competition with the rest of the world said Thurow, adding that U.S. manufacturing industries have declining over the last fifteen years because we are buying from foreigners. "If we manufactured for ourselves" products we presently import, to the point where we "had a balance in our balance of payments," Thurow theorized that then U.S. "manufacturing would have four million jobs more than it does have."

Reasons for Employment Growth in Services

Thurow traced the growth of employment in services to growth in demand with a low/negative growth in labor productivity. Three industries account for 95 percent of all services growth: producer services, retail trade or health care. The major increase in health care service demand is due to the aging population and the fastest growing sector of that population, those over 80. In retail trade two major contributors to employment growth are eating and drinking establishments and shopping centers. As Thurow noted,

> It's almost all in restaurants. And if you ask why are restaurants growing like crazy? The answer

The demand growth in services has led to employment growth because the rate of productivity growth has been negative or low in services.

is working women. Because with working women, families don't eat at home, they eat out. And the fact is the average family now eats more meals away from home than they eat at home."

Thurow pointed out that the other part of retail trade that's growing to some extent is shopping centers, which have moved toward 24-hour, seven day a week shopping, "great for convenience but terrible for efficiency" in labor productivity.

Three components of producer services help to explain the growth in this sector: financial services, provision of office space, and software\data processing firms. The growth in financial services is due to the fact that the telecommunication computer revolution and changes in some international laws have created a world financial market.

The demand growth in services has led to employment growth because the rate of productivity growth has been negative or low in services. Thurow cited two major reasons for the low labor productivity growth rate in services: the cost of labor in the U.S. is cheaper than in other industrial countries, with consequent lower incentives for increasing productivity. Also, the wage differential between manufacturing and services in the U.S. is larger than that in other industrial countries. Thurow's statistics on this point were that: in the United States on average, service workers make 67 percent as much as manufacturing workers. In Japan they make 93 percent as much and in West Germany, they make 85 percent as much.

Manufacturing Employment Will Grow

Thurow postulated that demand for services has reached a peak, that financial services face severe international competition and that the export of services is not a viable option for sustaining growth. When manufacturing makes a comeback to correct the trade deficit, Thurow said, it will raise services' wages and dampen their employment growth even further. In the case of health care, Thurow predicted that the rate of increase in costs will slow down because people simply cannot afford more. He noted that health care costs consume 12 percent of the Gross National Product today, a figure that is more than twice as much as in 1960. Similarly, a peak has been reached in terms of growth in the retail trade according to Thurow, who pointed out that "When you eat every meal in a restaurant, restaurants can't grow fast any more."

According to Thurow, the only hope of correcting the U.S. trade deficit is the expansion of manufacturing capability by approximately four million jobs. This is because neither services nor other goods exports can hope to reduce the trade deficit significantly.

He pointed out that last year the U.S. exported $58 billion worth of services and imported $450 billion worth of goods. Thurow claimed that there is "no conceivable way you can make service exports come up to the level of goods imports." Consequently the basic conclusion he drew was that services will not be a major part of export trade. Thurow pointed out that every country eventually has to balance its balance of payments:

> we've either got to import something less or export something more and that something has to

"At some point in time when we cure our trade deficit, four million in jobs in manufacturing will come back to the United States from abroad."

> be manufactured products. Which means that at some point in time when we cure our trade deficit, four million in jobs in manufacturing will come back to the United States from abroad. And they will come back to the United States simply because we'll become a low wage economy, relative to those other industrial economies. But within the United States, manufacturing pays higher wages than services. And so when those four million manufacturing jobs come back to the United States, presumably they will get their work force.

Thurow proceeded to argue that the services industries will find a labor shortage as people move into the preferred jobs in manufacturing. Consequently, he said, "We will be in an era when employment is going to be falling in services but wages are going to be rising because of the competitive pressure from manufacturing."

Manufacturing Will Locate in New Areas

Thurow then turned his attention to possible locations for the new manufacturing economy and noted that services industries, have been central-city located while modern manufacturing is almost never central city located. The question Thurow raised is about the location of factories when manufacturing comes back to America.

> Will it come back to the same geographic locations? I think the answer is almost very clearly no. If you look at the automobile industry for example, when it left America it was centered in Ohio and Michigan. When it comes back to America it's going to be centered in Tennessee. The steel industry that comes back to the American economy will all be located on coastal locations, not in the center of the country, the Pittsburghs, the Toledos the etc. Because the modern steel industry needs access to ocean shipping, so that you can get the cheapest iron or the cheapest coal, whatever. So a modern steel industry that comes back to America is a coastal industry, rather than an inland industry. And if you go around these industries and think of the ones that have been devastated by international trade and the ones that must in some sense come back to the United States, it doesn't mean that they will come back to exactly the same geographic locations where they left and the fact is I think it rather clearly means that they won't.

Benjamin Chinitz: Response to Thurow

Professor Ben Chinitz, the program's respondent, challenged Thurow's assertion that four million manufacturing jobs would flow back to this country, adding that "even if I believed your number, I still don't share the devastating implication for cities. You're still going to have a lot of non-manufacturing employment." Thurow responded by stating that

> The four million jobs are based on how many people it takes to produce $170 billion worth of manufactured goods which is the magnitude of the trade deficit. This is just the trade deficit-correction and is independent of the growth that may be taking place in the economy.

Chinitz also commented on Thurow's musings about why services have continued to locate in central cities when surburban and rural locations would apparently be more attractive. Chinitz observed that central cities' service employment did grow; however, their share of national service activity kept diminishing. He pointed out that more office space construction has been taking place in suburbia than in urban centers.

Chinitz pointed out that Thurow's discussion of low services productivity growth explains the apparent paradox of cities growing and prospering in

"The world economy is not going to grow unless Germany and Japan play some of this locomotive role, and so far they have indicated no willingness to play."

an era of sluggish national economic and productivity growth.

An audience member observed in the discussion that Thurow's prediction of manufacturing growth is very much like an import substitution strategy, and implies a more closed economy and less trade by the U.S. He asked Thurow what the implication for world growth would be. Thurow answered that it probably means slower growth in the rest of the world. Thurow asserted that in the period after World War II,

> the American economy could basically play locomotive for the world because in 1945, we were 75 percent of the world GNP and as late as 1960, we were 50 percent of the world GNP. Today we're 22 percent of the world GNP. The world economy is not going to grow unless Germany and Japan play some of this locomotive role, and so far they have indicated no willingness to play the role.

Commentary

Kirk O'Donnell

This is an agenda for the Nation, not just the cities

Kirk O'Donnell, President of the Center for National Policy, reinforced at the Wednesday wrap-up other panelists' perceptions that the conference's agenda of issues and proposals should be presented to the nation not as urban but as national in scope.

The increasing "suburbanization" of Congressional districts implies that urban issues may be of less interest to Representatives, but O'Donnell noted Congressional interest in these issues as suburbs now face traditionally urban problems. "The key to gaining the attention of Congress in terms of funding urban concerns", O'Donnell stated, "would be to take advantage of the fact that affordable housing, ...drug abuse, [or] inadequate education is no longer viewed as just a city issue." These problems, concerns for health care and day care, and other issues can and "should be drawn up as a national agenda", said O'Donnell.

America's status in the international economy makes these issues even more critical, argued O'Donnell. "In the context and framework of competitiveness, the cities' agenda in terms of investment in human resources" is at the top of the Nation's priorities, O'Donnell said, "because people in the future are going to earn a living by thinking."

Citations

Rebuilding a Sense of Community: Housing and Neighborhoods

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3. Langley Keyes and Denise DiPasquale, Outline of Presentation for Session One: Rebuilding a Sense of Community, MIT Housing Project, June 13, 1988.

The Two-Class City: Urban Poverty and Race

1. Alex Ganz, "Where Has the Urban Crisis Gone? How Boston and Other Large Cities Have Stemmed Economic Decline," Urban Affairs Quarterly 20 (June 1985), 461.

2. U.S. Bureau of the Census, Poverty in the United States 1985 (1987), 6.

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Systems Overload: Infrastructure and Transportation

1. National Council on Public Works Improvements, Fragile Foundations: A Report on America's Public Works (Washington, 1988), 38.

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1. U.S. Bureau of Economic Analysis, OBERS projections, 1985; U.S. Bureau of Labor Statistics, Monthly Labor Review, September 1987; William B. Johnston, Workforce 2000: Work and Workers for the 21st Century, (Indianapolis: Hudson Institute, 1987). Also see the Roundtable Briefing Book.

Schedule of Events

Sponsors
Boston Society of Architects
Lincoln Institute of Land Policy
Boston Development Authority
Boston College Citizens Seminar
M.I.T. Laboratory for Architecture and Planning
McCormack Institute of Public Affairs, U/Mass Boston
John F. Kennedy School of Government, Harvard University
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Sunday, June 12

Registration, 12:00-5:30 PM:
Marriott Long Wharf Hotel

Boat Tour, 4:00-6:00 PM
Boston's Planning and Development Strategy
Leaves Long Wharf opposite hotel at 4:00 Sharp.
Led by John Leigh, Homer Russell, Ricardo Millett and Eric Schmidt of the Boston Redevelopment Authority.

Opening Reception and Dinner, 6:15-10:00 PM:
Boston Harbor Hotel at Rowes Wharf

Conference registration open 6:00-7:00 PM at the Boston Harbor Hotel

Reception 6:15 - 7:00 PM, Ballroom Foyer
Invocation 7:00 PM
Dinner 7:00 - 8:25 PM, Ballroom

Slide presentation 8:25 - 8:35 PM
Immediately following the serving of dessert and coffee.

Speakers 8:35 PM on.
Rosemarie Sansone, City of Boston Commissioner of Business and Cultural Development: Introduction
Stephen Coyle, Director, Boston Redevelopment Authority
Bernard Frieden, Chairman of the Faculty, Massachusetts Institute of Technology

Edmund Beard, Director, McCormack Institute, will serve as Moderator of all Roundtable Sessions.

Monday, June 13

All events at the Marriott Long Wharf Hotel.

Session One, 8:30 - 10:30 AM
Rebuilding a Sense of Community:
Housing and Neighborhoods

Preserving affordable housing; the gap between housing costs and income; new financing measures to expand housing production; increased homelessness among families and working poor.

Presentations
Langley Keyes, Professor of City and Regional Planning, Massachusetts Institute of Technology: Panel Leader
Phillip Clay, Associate Professor of City Planning, M.I.T.
I. Donald Terner, President, BRIDGE Housing Corp.

Response
Peter Dreier, Housing Advisor, Boston Redevelopment Authority
Bonnie Heudorfer, Senior Consultant, Bank of Boston
Ernest Gutierrez, Jr., Executive Director, Boston Fair Housing Commission
Clara Garcia, Executive Director, Inquilinos Boricuas En Accion
Mary O'Hara, President, MURAG Inc.

Session Two, 10:45 AM - 12:45 PM
The Two-Class City:
Urban Poverty, Race and Health

The widening gap between rich and poor; the feminization of poverty; the role of race and racism in poverty; the AIDS crisis; national health care; welfare reform.

Presentations
Mary Jo Bane, Professor of Public Policy, Harvard University: Panel Leader
Paul Jargowsky, Project Coordinator, Center for Health and Human Resources Policy, Harvard University
Peggy Cuciti, Associate Director for Applied Research, University of Colorado School of Public Affairs
Erol Ricketts, Assistant Director, Rockefeller Foundation

Response
Shoshana Pakciarz, Executive Director, Project Bread

Luncheon, 1:00 - 2:30 PM

Speakers 1:30 - 2:30
Edmund Beard, Director, McCormack Institute of Public Affairs, U/Mass Boston: Introduction
Robert Kuttner, Economics Correspondent, *The New Republic*: "The New Economy and The Cities"
Frank Levy, Professor Of Public Affairs, University of Maryland School of Public Affairs: Respondent

Session Three, 2:45 - 4:30 PM
A Workforce for the New Economy:
Education and Job Training

The skills mismatch; parents as workers: the need for daycare; the crisis of public education.

Presentations
Robert Wood, Professor, Wesleyan University: Panel Leader
Rosemary Scanlon, Chief Economist, Port Authority of New York and New Jersey
Peter Edelman, Professor of Law, Georgetown University Law Center

Response
Kristen McCormack, Director, Boston Mayor's Office o
Jobs and Community Services
Martella Wilson-Taylor, Acting President, Transitional Employment Enterprise
Ellen Guiney, Education Advisor, Boston Mayor's Office
Bob Hayden, Executive Director, Massachusetts Pre-Engineering Program

Boat Tour, 4:45 - 5:45 PM
The Navy Yard Planning and Development.
Led by John Leigh and James English of the Boston Redevelopment Authority.
Leave Long Wharf opposite hotel promptly at 4:45

Reception and Dinner, Marriott, 6.00 - 9:00 PM
Sponsored by the Lincoln Institute.

Reception 6:00-7:00
Dinner 7:00- 8:00

Speakers 8:00 on.
Ronald Smith, Executive Director, Lincoln Institute of Land Policy: Introduction
Lester Thurow, Dean, M.I.T. Sloane School of Management: "Cities and the Service Economy"
Benjamin Chinitz, Research Director, Lincoln Institute of Land Policy: Respondent

Tuesday June 14

Session Four, 8:30 - 10:15 AM

Systems Overload: Infrastructure, Transportation, and Environment

The politics of crumbling infrastructure; airport overcrowding, the future of mass transit; solid waste disposal; water and air quality.

Presentations

Alan Altshuler, Dean, New York University Graduate School of Public Affairs: Panel Leader

Marshall Kaplan, Dean, University of Colorado-Denver Graduate School of Public Affairs

Joseph Sussman, Professor and Director, Center for Transportation Studies, M.I.T.

Response

Richard Dimino, City of Boston Commissioner of Transportation

Mary Nee, Director, Boston Mayor's Office of Capital Planning

Janet Rothenberg Pack, Associate Professor of Public Policy and Management, University of Pennsylvania

Nancy Rutledge, Executive Director, National Council on Public Works Improvement

Thomas Butler, Manager of Intergovernmental Affairs, Massachusetts Port Authority

Session Five, 10:20 AM - 12:30 PM

Forging New Partnerships: Financing Urban Development

Public Private partnerships; impact of the Tax Reform Act of 1986; foreign investment; tax increment financing; pension funds as investors.

Presentations

Lynne Sagalyn, Associate Professor of Planning and Real Estate Development, M.I.T.: Panel Leader

Joseph Coomes, McDonough, Hough, & Allen

Robert Embry, President, Abell Foundation

Response

William Whitney, Assistant Director for Urban Design and Development, Boston Redevelopment Authority

William Hayden, Senior Managing Director, Bear, Stearns & Co. Inc.

Ann Bowman, Associate Professor of Political Science, University of South Carolina

Fletcher Bishop, Economic Development Industrial Corporation of Boston

Patrick Clancy, Executive Director, Greater Boston Community Development Corporation

Luncheon , 12:30 - 2:00 PM

Speakers 1:00 - 2:00

Benjamin Chinitz, Research Director, Lincoln Institute of Land Policy: Introduction

M. Leanne Lachman, Managing Director, Schroder Real Estate Assocs: "Development Forecasts for the 1990s"

Jerold Kayden, Visiting Faculty Member, Lincoln Institute: "Land Use Controls in the 1990s"

Session Six , 2:05 - 4:00 PM

Planning Visions: Past, Present and Future

Recapturing a visionary planning approach for the nation's cities; community input to urban design.

Charles Redmon, F.A.I.A., President, Boston Society of Architects: Panel Leader

Presentations

Alex Krieger, A.I.A., Associate Professor of Architecture, Harvard University

Eric Schmidt, Staff Architect, Boston Redevelopment Authority

Steven Cecil, A.I.A., Senior Urban Designer, CBT Architects

Response

David Dixon, A.I.A., Principal, David Dixon & Associates

David Lee, A.I.A., Principal, Stull, Lee & Associates

Justine Liff, Boston Parks & Recreation Department

Elizabeth Padjen, A.I.A., Principal, Padjen Architects

Homer Russell, Boston Redevelopment Authority

Donald Brown, Boston Public Schools

Reception, Customs House 5:00 - 7:00 PM

Sponsored by the Boston Society of Architects.

Dinner, 7:00 - 9:00 PM

Sponsored by Metropolitan/Columbia Plaza Venture.

Dinner, 7:00 - 8:00 PM

Speakers 8:00 - 9:00 PM

Ricardo Millett, Assistant Director, Boston Redevelopment Authority: Introduction

Ken Guscott, General Partner, Long Bay Management: "Minority Business Opportunity in Boston"

Kenneth Wade, Coordinator, United South End Settlements: Respondent

Wednesday, June 15

Session Seven, 9:00 - 12:00 AM

New Players in Urban Development: Minority and Community Participation

Presentations

Ricardo Millett, Assistant Director for Neighborhood Housing and Development, Boston Redevelopment Authority

Richard Taylor, President, Taylor Properties

Dolores "Dee" Primm, Planner, Frederick Harris Inc.

Chuck Turner, Director, Center for Community Action

Kyle McKinney, Lena Park Community Development Corp.

Response

John Cruz, President, Cruz Construction

Joseph Feaster, Jr., President, Feaster Enterprises

Charles Grigsby, Partner, South Park Partnership

Paul Chan, Metropolitan/Columbia Plaza Ventures

Pablo Calderón, Design/Housing

Larry Susskind, Professor of Planning, M.I.T.

Ronald Ferguson, Associate Professor of Public Policy, Harvard University

Lunch & Wrap-Up, 12:00 - 3:00 PM

Speaker

Raymond Flynn, Mayor of Boston

Summators

Professor Bernard Frieden, M.I.T.

Ian Menzies, Senior Fellow, McCormack Institute

Professor Robert Wood, Wesleyan University

Kirk O'Donnell, President, Center for National Policy

Martin Nolan, Editorial Page Editor, *Boston Globe*

Professor Mary Jo Bane, Harvard University

Professor Langley Keyes, M.I.T.

Stephen Coyle, Boston Redevelopment Authority

Other Roundtable Panelists:

Alex Bledsoe, Deputy Secretary, Massachusetts Executive Office of Communities and Development

Alex Ganz, Assistant Director for Policy Development and Research, Boston Redevelopment Authority

Karen Kahn, Supervisor of Economic Development

J. Thomas Black, Vice President, Urban Land Institute

Stephanie Wilson, Vice President, ABT Associates

Sam Bass Warner, Professor of History, Boston University